DOCUMENT RESUME

ED 363 920 EA 025 357

TITLE	Reform of Categorical Education Programs: Principles and Recommendations.
INSTITUTION	California State Legislative Analyst's Office, Sacramento.
PUB DATE	Apr 93
NOTE	96p.; Pages 17, 37, 45 and 54 present legibility problems.
PUB TYPE	Reports - General (140)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	Block Grants; *Categorical Aid; *Educational Finance; Elementary Secondary Education; Incentive Grants; Public Support; *Resource Allocation; *State Aid; *State Programs; State Standards
IDENTIFIERS	*California

ABSTRACT

Categorical education programs provide state funding to schools and local education agencies for the purchase of specific types of local services, such as transportation, subsidized meals, and supplemental instruction. California has at least 57 separate categorical programs. This document provides an overview of California's experience with categorical programs and offers recommendations for reform of such programs. Following the executive summary and introduction, chapter 1 defines categorical programs. Chapter 2 provides information on each of the existing categorical programs in K-12 education in California. The third chapter presents a brief history of categorical programs over the last 30 years. Problems with the existing system of categorical programs are identified in chapter 4. Chapter 5 outlines the principles for reform of the state's categorical programs, and the final chapter offers seven recommendations. These recommendations take two general forms: the first four propose to create specific new programs by consolidating or redirecting funds from existing categorical programs; and the last three propose a broad rethinking of major state programs and strategies. Six figures are included. (Contains 68 references.) (LMI)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 363 920

REFORM OF CATEGORICAL EDUCATION PROGRAMS:

PRINCIPLES AND RECOMMENDATIONS

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

J. H. Mello

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

California
Legislative Analyst's Office

April 1993

EA 025357

BEST COPY AVAILABLE

Contents

Executive Summary 1

California's Experience With Categorical Programs 1

Principles of Categorical Program Reform 3

Recommendations 4

Introduction 7

Chapter 1
What Are Categorical Programs? 9

What Does "Categorical" Mean? 9

Range of Categorical Programs 10

Categorical Program Funding 12

Fiscal and Program Requirements 12

Determining Compliance With Requirements 13

Chapter 2
Categorical Programs in Detail 15

Characteristics of Programs 15

1992-93 Funding 21

Method of Allocating Funds 22

Program Focus and Typical Services 23

Program Design 23

District Flexibility 25

Conclusion—A Variety of Program Designs 28

Chapter 3
A Brief History of Categorical Programs 29

Creation and Consolidation of Categorical Programs 29

New Programs Repeat Past Innovations 31

Factors Leading to Recycling of Reform Ideas 33

Conclusion 34

Chapter 4
Problems With the Existing System of Categorical Programs 35

Categorical Programs Successfully Allocate Funds 35

No Conclusive Evidence on the Success of Categorical Programs 36

State Rules Restrict Needed Local Flexibility 38

Categorical Approach Promotes Fragmentation of Local Programs 40

Negative Program Incentives Steer Schools in the Wrong Direction 43

Administrative Requirements Reenforce Rule Orientation 44

State Role Should Focus on Program Success—Not Process . . . 48

Chapter 5
Lessons for Program Design 51

Maximize Local Control Whenever Possible 51

Table of Contents

Clearly Identify Program Goals 56

Reward Schools For Good Performance 59

Consolidate and Simplify Funding Structures 61

Foster a Learning Environment 63

Chapter 6
Recommendations **67**

First Step in a Long-Term Change 67

A New School Improvement Block Grant 68

A School Incentives Award Program 70

A New High School "At-Risk" Block Grant 72

A Program of Evaluation 74

Revamp Special Education 76

A New Career Training Block Grant 80

Reviewing the State Strategy for Education Improvement 86

Conclusion 89

Bibliography **91**

Executive Summary

Categorical education programs provide $5.1 billion of General Fund support to schools and other local education agencies (LEAs) in 1992-93. This funding is funneled through at least 57 individual programs—programs that support a wide range of services, including services for students with disabilities, home-to-school transportation, vocational education, staff and curriculum development, and coordination with local health and social services agencies.

Requirements associated with the 57 individual programs limit the amount of flexibility LEAs have to design programs that meet the specific needs of local students. For example, almost half of the categorical programs require LEAs to implement programs based on a specific program model.

California's Experience With Categorical Programs

For this report, we talked to many program experts and reviewed available program evaluations and academic assessments of the effectiveness of categorical program services. From this review, we reached the following conclusions:

Categorical programs do a relatively good job at allocating resources to specific programs. Programs ensure that funds are spent on "eligible" activities usually through a combination of processes, requirements, and program rules.

Despite the extensive data collected from LEAs and the many program evaluations conducted, educators know very little about how well many programs work. Many evaluations are not evaluations as such, but operational reviews. Many programs cannot be evaluated because the program is so narrow in its focus that there is no way to accurately measure its impact on student achievement.

The few good evaluations that are available reveal, at best, a mixed record of success.

Categorical programs encourage LEAs to focus on program and process rules rather than the impact of services on student performance and other outcomes. Existing accountability mechanisms emphasize compliance with rules governing how funds are spent and the program model used to deliver services. Few programs routinely collect good outcome data. This emphasis encourages local administrators to design programs in a way that ensures compliance, rather than in a manner that maximizes the impact of services on student performance.

Program funding formulas can reward schools for behavior that is not in the best interests of students. Programs that determine LEA funding allocations based on the number of "eligible" students reward schools for identifying students who need services. These programs also penalize schools that are able to successfully address student needs by reducing funding to these schools. This type of funding structure represents one way in which fiscal incentives may conflict with the interests of students.

The current system of categorical programs promotes a fragmentation of services at the school site. This fragmentation manifests itself in schools administering each categorical program separately from other programs rather than in a coordinated or integrated fashion. This lack of coordination leads to a blurring of responsibility for improving student achievement and reduces the effectiveness of program services.

Directly funding agencies other than school districts can further fragment services and program authority. Directly funding services through Special Education Local Plan Areas (SELPAs) or Regional Occupational Centers/Programs (ROC/Ps) encourages schools to act as if addressing the problems of special education and job preparedness is not the job of each school and classroom teacher. In the case of ROC/Ps, this problem is compounded by the fact that schools

may have very little formal influence over the types of services provided by ROC/Ps. In addition, these separate organizational structures develop their own constituencies and priorities, which creates a resistance to meeting the changing needs of high school students and school districts.

Principles of Categorical Program Reform

Based on our findings, we identified five principles for categorical program reform.

Maximize Local Control Whenever Possible. By increasing local flexibility over program design, schools would have more latitude to use funds to meet the needs of their students. The appropriate level of control (state, district, school site) depends on the nature of each program. Research emphasizing the role of individual schools in reform efforts suggests that funds should be made available to schools, rather than districts or other LEAs, whenever practicable.

Clearly Identify Program Goals. Goals and outcome measures can greatly influence the operation of local programs. The Legislature needs to focus on holding schools accountable through performance measures and leave decision making over the details of program design to schools and districts.

Reward Schools for Good Performance. Existing negative fiscal incentives need to be replaced with positive incentives. Research suggests that creating incentives for integration of special services into the regular classroom could lead to increases in student achievement. Eliminating the classification of "eligible" students for funding purposes would improve program incentives for LEAs.

Consolidate and Simplify Funding Structures. The Legislature should reduce program fragmentation by consolidating programs to the extent possible. Consolidation of programs, however, should never

proceed beyond the point where there are clear goals and performance measures that describe the intent of the program. Further simplifying the school finance system would help schools focus on policy and practice rather than funding.

Foster an Education Policy Environment That Learns From Its Experiences. The Legislature and LEAs need to learn how services, learning environments, and social conditions affect student achievement, both in the long and short term. This means finding outcome measures that supply feedback to administrators and policymakers about program effectiveness. Evaluation should be used to determine the effect of services and validate the accuracy of performance measures.

RECOMMENDATIONS

Based on these reform principles, we developed seven recommendations that we believe will substantially improve the effectiveness of categorical programs without altering their basic goals. We view our recommendations as the first step in a long process, however. As educators learn more about the impact of categorical services and how to measure that impact, many refinements in individual programs and in the larger system of categorical programs will naturally follow.

A New School Improvement Block Grant. We recommend creation of a school improvement block grant by consolidating 13 separate categorical programs into one grant. This grant would provide the support for school-wide improvement activities—improvements affecting all students at the school.

A School Incentives Award Program. We recommend creation of a new School Incentives Award Program to provide financial awards to schools that perform well. This program would recognize the

achievements of the state's high-achieving or quickly improving schools.

A High School "At-Risk" Block Grant. We recommend consolidation of five existing programs currently serving students at risk of dropping out of high school into one block grant for that purpose. This would free districts to use state funding to support whichever service delivery model most effectively reduces the number of students dropping out of school and helps those who have returned to school succeed.

A Program of Evaluation. We recommend establishment of a program to evaluate program models in a number of essential areas of California's K-12 education system. This would begin the process of systematically evaluating the short- and long-term impacts of categorical programs. These studies should be used primarily to gain information on the effectiveness of different types of local interventions rather than gauge the success of state "programs."

Revamp Special Education Funding. We recommend revamping the funding system for special education in order to create positive incentives for schools to integrate special education students into the mainstream classroom. This would be accomplished primarily by simplifying the existing funding structure, consolidating funding and program decisions at the district level, creating incentives for providing preventive services to nonspecial education students, and eliminating state restrictions over how services should be provided.

A New Career Training Block Grant. We recommend reformulating ROC/P funding into a vocational education block grant in order to encourage the integration of academic and vocational education and help high school graduates obtain the skills needed to find well-paying jobs.

Review the State Strategy for Education Improvement. We recommend reviewing the role of the state with an eye toward modifying

legislative and administrative procedures to conform with our recommendations to improve state categorical programs. Duties and activities of the State Department of Education should be reviewed to ensure that its role and responsibilities reenforce the emphasis on performance and outcomes. Similarly, the Legislature should focus its oversight function on setting state educational policy and holding local districts accountable for results.

Introduction

Categorical education programs provide state funding for the purchase of specific types of local services, such as transportation, subsidized meals, and supplemental instruction. These programs play a major part in the state's strategy to ensure that local administration of education programs achieves public policy goals expressed by the Legislature. There are at least 57 separate categorical programs that provide funds to local educational agencies.

This report identifies problems with the existing system of categorical programs, establishes principles the Legislature should use in reforming categorical programs, and recommends consolidation and restructuring of a number of programs based on these principles.

Due to the broad scope of this report, we limited our research to identifying ways to improve categorical programs within the existing school finance framework defined by such measures as Proposition 98 and Proposition 13.

The report is organized as follows: Chapter 1 provides a brief overview of categorical programs. Chapter 2 supplies background information on each categorical program. Chapter 3 reviews the history of these programs over the last 30 years. Chapter 4 discusses the problems with the existing system of categorical programs. Chapter 5 outlines principles for reform of these programs. Chapter 6 contains our recommendations to consolidate or restructure categorical programs.

The report was written by Paul Warren under the direction of Carol Bingham. Kelly Zavas prepared the report for publication.

Chapter 1

What Are Categorical Programs?

The State of California currently funds at least 57 categorical programs. Most of these programs are administered on a local level by local educational agencies (LEAs), which include K-12 school districts, county offices of education, and other agencies. This chapter identifies state-funded categorical programs in California and describes how the programs operate.

What Does "Categorical" Mean?

The state funds K-12 programs in two ways. First, school districts and county offices receive an agency-specific "revenue limit," which provides base funding for each student who attends school within the district or county. The purpose of the revenue limit is to provide the funding needed to meet the basic educational needs of a "typical" K-12 student. School district revenue limits average approximately $3,200 per student in 1992-93. Revenue limits are supported by both state apportionments and local property tax revenues.

Second, LEAs also receive funds for categorical programs. These programs typically address needs that cannot be, or are not being, addressed with base revenue limit funds. For example, special education programs meet the individual needs of students with disabilities.

For purposes of this report, "categorical" programs are all K-12 programs that are funded outside the base revenue limit. This definition includes as "categorical" some programs that are funded

as part of the revenue limit appropriation but in fact are "add-ons" that operate as separate programs. At the local level, most categorical programs are controlled or operated by school districts and county offices of education. Other agencies that indirectly receive categorical funds include state colleges, University of California campuses, and nonprofit agencies.

Range of Categorical Programs

Figure 1 lists 57 categorical programs that received state support during 1992-93. We divided the programs into four general categories: programs for students with special needs, programs to improve instruction and curriculum, programs addressing student social and health needs, and administration and other programs. The programs range from the very large ($1.5 billion in Special Education funding during 1992-93) to the very small ($100,000 for Geography Education in 1992-93).

The figure represents our best judgment in categorizing some complex programs. Programs may actually fall into more than one category. For instance, a program may provide services for special-needs students and promote program improvement. In those cases, we would include a program in the category that best characterizes the dominant purpose of the program.

Depending on how one counts categorical programs, there may be more than the 57 programs identified above. For instance, we did not include federal categorical programs in Figure 1. In addition, many of the programs listed in Figure 1 contain more than one component program. Child Development, for example, represents eight distinct child care and child development programs operated by local agencies. Special Education consists of five separate programs meeting the needs of students with different disabilities.

What Are Categorical Programs?

Figure 1

K-12 Categorical Programs 1992-93

Programs for Students With Special Educational Needs—12 Programs

- Concurrent Enrollment
- Continuation Schools
- Desegregation
- Dropout Prevention
- Early Intervention for School Success
- Economic Impact Aid
- Gifted and Talented Education
- Indian Education Centers
- Opportunity Classes
- Proficiency in Basic Skills
- Special Education
- Summer School

Programs to Improve Instruction and Curriculum—25 Programs

- Administrator Training
- Bilingual Teacher Training
- California Assessment Program
- Certification of Teacher Evaluators
- Class-Size Reduction
- Demonstration Programs in Mathematics and Reading
- Educational Technology
- Environmental Education
- Geography Education
- Graduation Requirements
- Instructional Materials
- Longer School Day and Year Incentives
- Mentor Teachers
- Miller-Unruh Reading Program
- Native American Indian Education Program
- New Teacher Support
- Partnership Academies
- Regional Occupational Centers/Programs
- SB 1882 Staff Development
- School Restructuring Grants
- School Improvement Program
- Specialized Secondary Programs
- Subject Matter Projects
- Tenth-Grade Counseling
- Vocational Education Equipment

Programs Addressing Student Social and Health Needs—9 Programs

- Child Development
- Child Nutrition
- Foster Youth Programs
- Healthy Start
- Immunization Records
- Intergenerational Programs
- School Law Enforcement Partnerships
- Scoliosis Screening
- Vocational Education Student Organizations

Administration and Other Programs—11 Programs

- Adult Education
- Adults in Correctional Facilities
- Collective Bargaining
- Deferred Maintenance
- Necessary Small Schools
- Other Mandates
- Pension Benefits
- Small School District Bus Replacement
- Supplemental Grants
- Transportation
- Year-Round Schools

What Are Categorical Programs?

Categorical Program Funding

Most of the programs in Figure 1 are funded entirely by state General Fund monies appropriated in the annual Budget Act. The 1992 Budget Act, for example, appropriates $5.1 billion for these programs during 1992-93. A small number of programs, such as the Miller-Unruh Reading Program, require school districts to use revenue limit funds or other local funds to match state funding. A handful of other programs, including Special Education and Child Nutrition, are partially federally funded. One program—Environmental Education—is funded from a special fund.

For most programs, funding is provided in a Budget Act item, usually in the State Department of Education (SDE) portion of the budget. A number of programs, including collective bargaining, are reimbursed as state-mandated local programs. A few are included in the revenue limit appropriation and can be identified only by examining the SDE or Department of Finance budget development worksheets.

Fiscal and Program Requirements

LEAs must comply with fiscal and program requirements in administering categorical programs. In some programs, such as Supplemental Grants, these requirements are modest—LEAs have significant latitude in deciding how funds are spent. In other programs, such as Special Education, federal and state law and regulations as well as court mandates result in extremely complicated requirements and a severely restricted operating environment for LEAs.

Fiscal Requirements. Most programs are bound by various restrictions on how funds may be used. Often, programs are designed to *augment* those services which are provided to all students. In these cases, LEAs must use funds to "supplement, not supplant," already

available services. Programs may also require targeting funds so services benefit only specified types of students. In other programs, rules limit what may be purchased with program funds.

Program Requirements. Program rules also restrict the latitude of LEAs in choosing how to best meet program objectives. Specific service delivery models or levels of service may be required by state legislation or regulations. Program rules may require LEAs to implement specific procedures, such as teacher and parental involvement or program planning that contains certain elements.

Determining Compliance With Requirements

The SDE assures compliance with state and federal requirements through program reviews and coordinated compliance reviews:

- *Program reviews* ensure that programs are as effective as possible. These reviews are conducted by the SDE periodically and on a regular basis by county offices of education. Due to reductions in the state department's budget, SDE program reviews now occur only when a district appears to have substantial problems administering effective programs.

- *Coordinated compliance reviews* (CCRs) ensure compliance with state and federal requirements. The SDE conducts CCRs in each LEA every three years. The audit is guided by a 200-page CCR manual used by auditors and, in large districts, can take up to two weeks time to complete. Agencies found out of compliance with program rules are required to demonstrate how the noncompliance will be corrected. Under some circumstances, districts may be required to repay funds to the state or federal government.

Chapter 2

Categorical Programs in Detail

In this chapter, we provide a base of information on each of the existing categorical programs in K-12 education. These data illustrate the range of different categorical programs, fiscal and program mechanisms used to structure the programs, and the extent of local autonomy in operating the programs.

Characteristics of Programs

Figures 2 through 5 present data on each of the four groups of programs identified in Chapter 1—programs for students with special educational needs, programs to improve instruction and curriculum, programs addressing student social and health needs, and administration and other programs. Within each figure, we display the characteristics of each categorical program in the group in six ways:

- The amount of funding provided in 1992-93.
- The method of allocating funds to LEAs.
- The general focus of the program.
- The types of service typically provided by each program.
- The link between funding and program design.
- The degree of flexibility provided to LEAs by law and regulation.

Categorical Programs in Detail

Figure 2

Programs For Students With Special Educational Needs

1992-93 Funding (Millions)	Method of Allocating Funds	Program Focus	Typical Services	Program Design	District Flexibility
Concurrent Enrollment					
$107.6	Formula	Graduation coursework, vocational education	Supplemental instruction	Block grant	High
Continuation Schools					
$14.3	Formula	Dropout prevention	Alternative setting for instruction	Specific program model	Medium
Desegregation					
$500.9	Reimbursement based on desegregation plan	Equal opportunity	Magnet programs, busing, supplemental services	Mandate	High
Dropout Prevention					
$11.8	Grant to specific districts	Dropout prevention, high school graduation	Coordinated services, job training, basic skills	Specific program model	Medium
Early Intervention for School Success					
$1.6	Grant to specific districts	Prevent students from needing special education services	Testing, supplemental services	Specific program model	Medium
Economic Impact Aid					
$297.9	Formula, based on low-income and limited-English-speaking	Compensatory education, bilingual education	Aides, special instruction	Block grant	High
Gifted and Talented Education					
$31.9	Grant to specific districts	High-performing students	Field trips, materials	Various program models	Medium
Indian Education Centers					
$1.5	Grant to specific districts	Compensatory education, employment and community activities	Resource centers that provide tutoring, recreation, other classes	Specific program model	Low
Opportunity Classes					
$1.6	Reimbursement	Dropout prevention in junior high and middle schools	Alternative setting for instruction	Specific program model	Medium
Proficiency in Basic Skills					
$5.5	Reimbursement based on adopted standards	Basic math, reading and writing competency	Remedial instruction, parental notification	Mandate	Low
Special Education					
$1,532.8	Formula	Provide additional resources needed by students with disabilities	Individualized programs, smaller class sizes, aides	Specific program model	Low
Summer School					
$136.5	Formula	Proficiency for graduation, program improvement	Classes during school breaks	Block grant	Medium

Programs to Improve Instruction and Curriculum

		Program Focus			
Administrator Training					
$5.5	Grant	Training of principals and other administrative staff	Training, seminars	Specific program model	None
Bilingual Teacher Training					
$1.0	Grant	Training for teachers with bilingual waivers	Training, seminars	Specific program model	None
California Assessment Program					
$11.8	Grant	Testing and test development	Writing and refining new CAP tests, test administration	Specific program model	None
Certification of Teacher Evaluators					
$0.6	Reimbursement based on adopted standards	Procedures for the support and review of teacher performance	Administrative procedures	Mandate	Low
Class Size Reduction					
$36.3	Formula	Improve learning environment	Reduced size of English and other core classes	Specific program model	Medium
Demonstration Programs in Mathematics and Reading					
$4.6	Grant to specific districts	Testing and disseminating new curricula	Consultants, teacher pull-out time, materials	Various program models	High
Educational Technology					
$13.6	Grant	Incorporate technology into the classroom	Hardware/software purchase, inservice, and development	Specific program model	Low
Environmental Education					
$0.7	Grant	Staff/curriculum development	Materials and seminars	Specific program model	None
Geography Education					
$0.1	Grant	Staff/curriculum development	Materials and workshops	Specific program model	None
Graduation Requirements					
$2.6	Reimbursement based on adopted standards	Ensure all students take specified courses	Additional courses	Mandate	Low
Instructional Materials					
$131.2	Formula	Textbook and supplemental materials purchases	Textbooks	Block grant†	Medium
Longer School Day and Year Incentives					
Not Available	Formula	Increase instructional time	Longer school day and year	Incentive	High

BEST COPY AVAILABLE

Categorical Programs in Detail

Figure 2

Programs For Students With Special Educational Needs

1992-93 Funding (Millions)	Method of Allocating Funds	Program Focus	Typical Services	Program Design	District Flexibility
Concurrent Enrollment					
$107.6	Formula	Graduation coursework, vocational education	Supplemental instruction	Block grant	High
Continuation Schools					
$14.3	Formula	Dropout prevention	Alternative setting for instruction	Specific program model	Medium
Desegregation					
$500.9	Reimbursement based on desegregation plan	Equal opportunity	Magnet programs, busing, supplemental services	Mandate	High
Dropout Prevention					
$11.8	Grant to specific districts	Dropout prevention, high school graduation	Coordinated services, job training, basic skills	Specific program model	Medium
Early Intervention for School Success					
$1.6	Grant to specific districts	Prevent students from needing special education services	Testing, supplemental services	Specific program model	Medium
Economic Impact Aid					
$297.9	Formula, based on low-income and limited-English-speaking	Compensatory education, bilingual education	Aides, special instruction	Block grant	High
Gifted and Talented Education					
$31.9	Grant to specific districts	High-performing students	Field trips, materials	Various program models	Medium
Indian Education Centers					
$1.5	Grant to specific districts	Compensatory education, employment and community activities	Resource centers that provide tutoring, recreation, other classes	Specific program model	Low
Opportunity Classes					
$1.6	Reimbursement	Dropout prevention in junior high and middle schools	Alternative setting for instruction	Specific program model	Medium
Proficiency in Basic Skills					
$5.5	Reimbursement based on adopted standards	Basic math, reading and writing competency	Remedial instruction, parental notification	Mandate	Low
Special Education					
$1,532.8	Formula	Provide additional resources needed by students with disabilities	Individualized programs, smaller class sizes, aides	Specific program model	Low
Summer School					
$136.5	Formula	Proficiency for graduation, program improvement	Classes during school breaks	Block grant	Medium

Categorical Programs in Detail

Figure 4

Programs Addressing Student Social and Health Needs

1992-93 Funding (Millions)	Method of Allocating Funds	Program Focus	Typical Services	Program Design	District Flexibility
Child Nutrition					
$61.5	Formula	Healthy meals for low-income students	Subsidized breakfast and lunch	Block grant	Low
Child Development					
$409.0	Grant	Child development, child care	Child care centers or family day care homes	Specific program model	Low
Foster Youth Programs					
$1.3	Grant to specific districts	Coordinate or provide counseling, assessment, job training	Service centers on school sites	Various program models	High
Healthy Start					
$14.7	Grant	Coordination of health and social services with other agencies	Nurses, clerical support, on-site referrals	Various program models	High
Immunization Records					
$1.9	Reimbursement based on adopted standards	Ensuring that students have been immunized	Reviewing student records	Mandate	Low
Intergenerational Programs					
$0.1	Grant to specific districts	Social support	Involves senior citizens in school operations	Specific program model	Medium
School Law Enforcement Partnership					
$0.6	Grant	School safety	Program development and dissemination	Specific program model	None
Scoliosis Screening					
$1.1	Reimbursement based on adopted standards	Screening for curvature of the spine	Health screenings	Mandate	Low
Vocational Education Student Organizations					
$0.2	Grant	Social support of students interested in agriculture	Future Farmers of America	Specific program model	None

Categorical Programs in Detail

Figure 5

Administration and Other Programs

1992-93 Funding (Millions)	Method of Allocating Funds	Program Focus	Typical Services	Program Design	District Flexibility
Adult Education					
$302.1	Formula	English as a Second Language, high school graduation courses, job training	Classes for adults and high school students	Block grant	High
Adults in Correctional Facilities					
$8.1	Formula	Continuing adult education	Adult education in county correctional facilities	Block grant	High
Collective Bargaining					
$31.8	Reimbursement based on adopted standards	Create a process for local bargaining	Legal and administrative costs	Mandate	Medium
Deferred Maintenance					
$22.5	Reimbursement based on adopted standards	Encourage facility maintenance	Repair and rehabilitation of facilities	Incentive	High
Necessary Small Schools					
$21.6	Formula	Recognize higher costs of small rural schools	Any	Block grant	High
Other Mandates					
$27.9	Reimbursement based on adopted standards	Various	Various	Mandate	Low (or none)
Pension Benefits					
$68.5	Reimbursement based on adopted standards	Employee pension benefits	Higher benefits	Mandate	None
Small School District Bus Replacement					
$3.3	Formula	Subsidize bus purchase by small LEAs	Bus purchase and renovation	Specific program model	Low
Supplemental Grants					
$181.3	Formula	General purposes of any of 27 categorical programs	Various	Block grant	High
Transportation					
$332.8	Reimbursement based on adopted standards	Special education and home-to-school busing	Bus drivers, gas, bus maintenance	Specific program model	Medium
Year-Round Schools					
$58.9	Formula	Encourage greater use of school facilities	Any	Incentive	High

This information was chosen because it captures many of the important characteristics of each program's fiscal and program design. In the following sections, we discuss these characteristics in detail.

1992-93 Funding

The first column identifies the amount appropriated for each program in the 1992 Budget Act. The amounts represent the dollars appropriated to LEAs, not necessarily the amount devoted to the same programs by local agencies. This is because the 1992 Budget Act authorizes LEAs to transfer up to 5 percent of certain categorical program allocations to other categorical programs, so long as that transfer does not increase the total allocation for any program above the amount received during 1991-92. Because of this flexibility, local expenditures for individual categorical programs may differ from the amounts appropriated.

State categorical programs are receiving a total of $5.1 billion from the General Fund in 1992-93. Funds are distributed as follows:

- Programs for students with special educational needs—$2.6 billion.
- Programs to improve instruction and curriculum—$920 million.
- Programs addressing student social and health needs—$490 million.
- Administration and other programs—$1.1 billion.

METHOD OF ALLOCATING FUNDS

The second column describes how funds are allocated to districts. There are three ways to allocate funds:

- *Formula* distribution is based on quantifiable program data, such as number of students in need of specific services or number of students served. Formula distribution implies that participating districts—although not necessarily all districts—automatically receive funding either as part of a district's revenue limit or separately. Only 19 of the 57 programs in the tables distributed funds through a formula. Among these programs are many of the larger categorical programs, such as Special Education, Adult Education, and Economic Impact Aid.

- *Grant* distribution means LEAs are awarded funds each year to operate programs based on a non-formula-based calculation. Awards are often made on a competitive basis. In Demonstration Programs in Mathematics and Reading, for example, grants are based on the estimated costs of developing and disseminating new models of mathematics and reading instruction. Twenty-six programs used grants to distribute funds to schools. With the exception of Child Development, all the grant programs are fairly small. In fact, the remaining 25 grant programs—or 44 percent of all categorical programs—received only 3 percent of all categorical funds.

- *Reimbursement* describes programs that receive funding based on actual costs—usually past-year costs—of operating a program. Cost reimbursement occurs, for instance, when a specific level of services is mandated. Twelve programs used actual costs as a basis for distributing funds.

Program Focus and Typical Services

The third and fourth columns describe for each program the program focus and the typical services provided. The program focus column summarizes the intent of the program or its overall role in schools. For some programs, the state's intent is clear. For example, the Adults in Correctional Facilities Program helps ensure that adult education courses are available in county jails. Sometimes, the intent of a program is not so evident. State statutes provide little insight to LEAs about the Legislature's expectations for the Tenth-Grade Counseling or Mentor Teacher Programs, for example.

The "typical services" column describes the types of goods or services often purchased with program funds. Obviously, what a program buys is greatly influenced by its goal or role in the educational process. Programs for students with special needs typically provide supplemental or individualized instruction, for instance.

Program Design

The fifth column provides information on each program's design. State law differs substantially from program to program in the administrative requirements that LEAs must follow. This column summarizes the five different types of program designs:

- *Incentive programs* pay a bonus to LEAs for certain activities. The incentive bonus may be unrelated to the cost of those activities, or it may approximate the average cost to LEAs. One important characteristic of incentive programs in K-12 education is that districts already conducting those activities still receive the bonus. Incentive programs seek results through encouragement rather than mandates. The tables identify three incentive programs.

- *Block grant programs* provide a great amount of local discretion over the use of funds. Block grants, as we use the term here, do not mandate particular program models that LEAs must follow. Funds are, instead, available for a general purpose. The best example of a block grant is the School Improvement Program (SIP), in which schools have almost complete discretion to determine how funds should be used. Twelve programs are included in the block grant group.

- *Various program models* indicates that a program permits LEAs to use more than one program model in delivering services. A good example of a program that permits various models is the Gifted and Talented Education Program, which permits schools to provide a variety of services to meet the needs of students. Eight programs offered LEAs some discretion in the choice of program model used to administer services.

- *Specific program model* indicates a program that requires LEAs to use a specific model of service delivery. Special Education, for example, mandates specific student-teacher ratios in providing services locally. The Mentor Teacher Program also requires a specific program model by directing LEAs to use program funds to provide stipends to teachers in exchange for staff and curriculum development activities. Twenty-five of the 57 programs required the use of specific program models.

- *Mandated programs* require LEAs to administer specific programs. Mandates may identify the outcome desired by the state: for example, each student must be screened for scoliosis. The state also may mandate a process, such as collective bargaining. State-reimbursable mandates are funded based on actual local

costs incurred in previous years. The Desegregation Program, which was enacted due to a court-related mandate, reimburses districts for program costs based on an approved plan. Nine programs are mandate programs.

As noted, the most common program design involves specific program models designed primarily at the state level. There is greater use of block grants than generally assumed, however. The 12 block grant programs we identified are among the larger programs and include the SIP, Supplemental Grants, Regional Occupational Centers/Programs (ROC/Ps), Adult Education, and Instructional Materials. All told, block grants account for $1.7 billion in 1992-93 categorical funding, or 33 percent of the total.

District Flexibility

This column describes the amount of control schools potentially maintain over the design and operation of programs. This issue of flexibility is distinct from flexibility over the level of services required of districts—the state may mandate the level of services required under a program but give schools broad latitude over how to provide those services. We categorized programs according to the following flexibility ratings:

- *High* flexibility means that law and regulation either (1) do not mandate how services will be provided or (2) permit a number of program models that districts may choose from. Block grant programs usually provide high levels of flexibility. Incentives also provide high flexibility. Seventeen of the 57 programs provided a high level of flexibility to schools.

- *Medium* flexibility means that law and regulation restrict local flexibility over program delivery.

Usually, medium-flexibility programs limit local discretion by identifying a specific program model for service delivery. Within that program model, schools retain significant latitude for articulating services so that the program works with other program services offered by the LEA. Twenty of the programs provided a medium level of flexibility.

- *Low* flexibility means that law and regulation identify a specific program model for service delivery that significantly impedes a school's ability to shape its local effort. The impediment may lie in the complexity or scope of regulation, as with Special Education, or in the fact that the program may be administered by an agency other than the district, such as ROC/Ps. Eleven programs were rated as providing low flexibility to schools.

- *None* means that the school has virtually no influence over program operation. This category applies only to programs (1) operated by agencies other than districts and (2) over which schools are given little opportunity to influence the characteristics of program services. Nine programs provided essentially no input for local preference.

Program Design Strongly Influences District Flexibility. Figure 6 compares program design and district flexibility for the 57 categorical programs described in Figures 2 through 5. For each type of program design, we totaled the number of programs that fall into the four flexibility ratings as a way of illustrating the strong relationship between these two program descriptors.

Figure 6

Program Design and Flexibility For 57 Categorical Programs

Program Design	Flexibility				
	High	Medium	Low	None	Total
Incentive	3	0	0	0	3
Block grant	8	2	2	0	12
Various models	5	3	0	0	8
Specific model	0	14	3	8	25
Mandate	1	1	6	1	9
Totals	17	20	11	9	57

Not surprisingly, there is a strong relationship between program design and district flexibility. Incentive funds, which may be used for any purpose, provide consistently high flexibility to districts. Block grants also provide generally high flexibility to districts over program operation. Mandates, on the other hand, usually create little district flexibility.

Program design is not the only factor, however. One block grant program—ROC/Ps—was rated low flexibility because of the lack of influence many schools and districts have over the design of programs. In the same vein, School Desegregation, which is considered a mandate, gives districts great flexibility in determining the remedy to segregated schools.

Programs that require districts to use a specific program model do not provide the high flexibility of block grants or incentives but are significantly more flexible than mandates. Fourteen of the 25 programs were rated as providing a medium amount of flexibility to districts. Of these 14 programs, 9 are programs to improve instruction and curriculum.

Conclusion—A Variety of Program Designs

Categorical education programs come in all shapes and sizes. The 57 programs included in our figures use many different approaches to influence local education programs. The net result, however, limits LEA flexibility in designing programs that meet the needs of students. These limits are most commonly due to a program design that identifies a specific program model that LEAs are required to use as a condition of funding. In the next chapter, we review the history of categorical programs in order to better understand the state's strategy in creating this complex group of programs.

Chapter 3

A Brief History of Categorical Programs

Categorical programs cannot be separated from the state's efforts to improve K-12 education programs for all students. In fact, categorical programs have been an important vehicle used by the Legislature to improve schools. In this chapter, we briefly review the history of categorical programs in California. As part of this review, we examine the types of reforms that have taken place during the 1960s, 1970s, and 1980s and discuss different cycles of reform efforts. We also discuss how the reforms of the 1980s differ from those in the previous two decades.

Creation and Consolidation of Categorical Programs

The State of California has long influenced local school policy and operations. One important tool for influencing local schools has been the creation of new categorical programs to meet specific needs as defined by the state. Periodically, reform efforts have taken the opposite approach—consolidating programs with a focus on local flexibility over decision making. Figure 7 illustrates program creation and consolidation in California over the last 30 years.

1980s Saw Mostly Program Creation. As Figure 7 suggests, the Legislature in the 1980s took a different approach to categorical programs than it took in the previous decades. During the 1960s and 1970s, the Legislature used both program creation and consolidation as ways to shape categorical programs. Major program revisions

took place, and substantial new programs were created. In the 1980s, however:

- ***Legislative action took place almost exclusively by program creation; consolidation did not play a major role.*** At least 16 of the 57 existing categorical programs were established during the 1980s. Compared to categorical programs from the 1960s and 1970s, the 1980s programs are relatively small.

- ***Only one major categorical program was created during the 1980s—the Supplemental Grants Program.*** Of the ten largest programs (accounting for $4.3 billion), nine were created prior to 1980. These programs include Special Education, Adult Education, Regional Occupational Centers/Programs, Desegregation, Economic Impact Aid, and the School Improvement Program.

- ***Consolidation during the 1980s was aimed at giving districts more flexibility over program design and administration rather than reducing the total number of categorical programs.*** The main consolidation effort was the School-Based Program Coordination Act. The act permits school sites to coordinate the delivery of services provided by 17 programs. In addition, a number of categorical programs sunsetted during the 1980s. Under the categorical program sunset review law enacted during the 1970s, districts are given more latitude over program design when programs are not reauthorized. Because of state regulations and court decisions, however, local flexibility over the major programs that sunsetted did not increase greatly.

- ***The largest programs have not changed substantially during the 1980s.*** Most of the largest programs operate based on the same program and funding

We do not list these particular ideas in order to make light of the proposals or to suggest that the concepts will not improve the quality of education. Rather, it is to suggest that many proposed reforms have been tried before.

Factors Leading to Recycling of Reform Ideas

We identified two factors that impede learning from experience:

- ***Programs Often Lack Clear Outcome Measures.*** Few categorical programs require districts to measure performance based on specific outcomes. Without these measures, it is extremely difficult to determine the impact of services.

- ***Program Evaluations Do Not Clearly Demonstrate Program Impact.*** While the state made a concerted effort to evaluate categorical programs during the 1970s and 1980s, these evaluations yielded ambiguous assessments of program value. Moreover, many of the smaller categorical programs have never been evaluated. Thus, evaluation has not provided a clear direction for the improvement of categorical programs. (We discuss evaluation issues in more detail in Chapter 5.)

To be sure, outcome measures and program evaluations will not transform the education system overnight. Educators have little experience with outcome measures other than standardized tests. It will take time to find reliable, objective measures of school and student performance. Program evaluation also is a time-consuming process—and good evaluations are expensive. Without basic outcome data and good program evaluations, however, there is no way for education to lay the foundation for learning.

CONCLUSION

From this review of the history of categorical programs we conclude that:

- The state has been directly involved in school reform efforts over the last 30 years. The basic structure of the largest categorical programs evolved during the 1960s and 1970s and has operated relatively unchanged. Because these large programs are so crucial to student success, improvements in these programs would have a major impact on the overall effectiveness of the K-12 system.

- During the 1980s, the state focused on new program creation rather than program consolidation. These new programs tended to be considerably smaller and more narrowly focused than those which survived from the 1970s.

- The debate over categorical programs during the 1980s reflected concepts and programs that had been tried decades earlier. This repetition appeared to be caused by the lack of good data on the effectiveness of program services.

Chapter 4

Problems With the Existing System of Categorical Programs

In this chapter, we review research findings regarding the existing system of categorical programs. First, we discuss the success of categorical programs in achieving one of their goals—targeting funds for particular purposes. Then, we discuss the lack of information on the success of categorical programs in achieving their other goals—generally improved educational performance. Finally, we discuss the following problems with categorical programs:

- State requirements reduce local flexibility to design effective programs.
- Categorical programs promote fragmentation at the local level.
- Program funding mechanisms create negative incentives.
- State administrative requirements reenforce the "rule orientation" of categorical programs.

Categorical Programs Successfully Allocate Funds

One of the primary purposes of categorical programs is to assure that LEAs allocate resources for specific activities and services. Early experience with categorical programs found districts were able to use

categorical funds to supplant existing district expenditures on similar activities. As a result, categorical programs had little impact on local expenditures for specific activities. Accordingly, state and federal programs now often include rules and regulations to prohibit supplanting. These rules take two forms. First, policymakers may include in legislation or regulations a flat prohibition on supplanting, requiring that categorical funds increase the level of expenditures for specific activities. Second, legislation or regulation may mandate the programs' service delivery model, which effectively tells districts what types of services or activities the funds may support.

Researchers studying the issue of supplanting generally agree that these program rules successfully reduce supplanting by local educational agencies.[1] In some cases, research has documented that categorical program rules actually have increased expenditures of general-purpose funds by districts for categorical program services.[2]

No Conclusive Evidence on the Success of Categorical Programs

For this study, we reviewed evaluations for as many categorical programs as possible. Only a few of these evaluations were useful in determining the success of the specific program being evaluated. This is for two reasons. First, many "evaluations" were really just operational reviews—these reports did not attempt to measure program impacts. Second, some evaluations had severe methodological problems that could bias the evaluation results.

From this review, we conclude that there is no conclusive evidence on the effectiveness of most categorical programs. Educators simply do not know how well most programs address the problem for

[1] For example, Odden, 1986, page 4.

[2] Picus, 1992 in Odden, *Rethinking School Finance*.

which they were created. Clearly, this limits the Legislature's ability to improve the effectiveness of categorical programs.

We did find a handful of program evaluations that provide a reasonable assessment of the overall benefit of categorical programs. At best, these evaluations reveal a mixed record of success. For example:

- *Federal Chapter 1* impacts "vary so widely from place to place that, on average, they do not have an impact substantial enough to be measured easily."[3] While not requiring a specific program model, the Chapter 1 program involves burdensome restrictions on expenditure of funds that create a compliance mentality in schools and lead to practices that are now considered to be relatively ineffective. Congress is now contemplating relaxing the Chapter 1 regulations significantly in order to increase local flexibility.

- *California's School Improvement Program* sparked school-wide cooperation and renewal in "a small percentage of schools . . . A sizeable percentage of schools . . . neither noticeably improved nor declined."[4] The evaluation cited a motivated faculty, competent leadership (particularly from the principal), and a school-wide vision or sense of purpose as essential ingredients for success.

- *California's Dropout Prevention Program* experienced "widely different levels of commitment from district and school administrators, outreach consultants, and teachers. Where key aspects of the program . . . have been implemented, the program works. Where they

[3] Elmore and McLaughlin, 1988, page 27.

[4] Berman, Weiler, 1984, page 3.

BEST COPY AVAILABLE

haven't . . . the program has failed."[5] In this case, the evaluation made clear that local acceptance of the program model was less than universal, which limited program effectiveness.

State Rules Restrict Needed Local Flexibility

Although the evaluations discussed above do not provide conclusive evidence that categorical programs are widely successful, they do provide a great deal of information on how to spur innovation in education. One of the lessons is that program rules should not prescribe solutions to local problems. Instead, researchers have found that teachers and administrators need to find their own solutions to the problems addressed by categorical programs. "[U]sing policy as an implement of reform, however, is to elevate the authority of rules above the authority of competence, practical judgment, and expertise."[6] Indeed, research suggests that mandating solutions often may create resistance to a program's objective. "Teacher commitment and involvement seldom respond to mandates or coercive threats beyond brittle compliance."[7]

Educational research has made great strides in understanding the *process* of school reform and, more generally, how schools work as organizations. This research identifies the school site as the organizational unit in which school reform must take root. This view of schools stresses the importance of the school principal as a manager and leader. Teachers are seen as both the "line workers" responsible for implementing school policy and as an organizational resource who can contribute to the quality of the school's overall program. Together, teachers and principals determine how best to meet the needs of students.

---

[5] Dixon et al., 1991, page 104.

[6] Elmore and McLaughlin, 1988, page 62.

[7] Cuban, 1984, as cited in Elmore, 1988.

This analysis of how schools work implies that educational reform efforts need to encourage locally developed program responses. Meeting the needs of students means creating a classroom structure that provides to each student what she or he needs to learn the appropriate lessons. If categorical programs are going to alter what happens in the classroom, the programs must change the way a teacher approaches his or her job. As a result, for reforms to take hold, research suggests that teachers:

- Need to be "active collaborators in the process" of creating change.
- Have a "measure of confidence about its consequences for their students."
- Feel it is "safe to give up the old responses and learn something new."[8]

This view of how change within schools occurs means that local responses to problems—one that includes the views and needs of teachers and administrators—is more likely to create successful responses to the policy problems than programs designed at the state level.

Local flexibility is important for a second reason: local conditions differ greatly from school to school and district to district: "reforms succeed to the degree they adapt to and capitalize upon variability."[9] If program responses cannot accommodate those differing conditions, a program will not be as effective as possible. For instance, in some districts, limited English proficient (LEP) students speak one language other than English. In other California districts, tens of different languages may be spoken by LEP students. For this reason, mandating a specific model of bilingual education that works

[8] Elmore and McLaughlin, 1988, page 42.

[9] Elmore and McLaughlin, 1988, page 35.

well when a district has LEP students that speak only one language other than English would not meet the range of models needed by schools in California.

Categorical Approach Promotes Fragmentation of Local Programs

One line of inquiry that researchers examine is the relative effectiveness of providing services separately—outside of the regular classroom—or in an integrated fashion. Integration can have slightly different meanings depending on its context. For special education, integration—or full inclusion—means providing services to special education students within the regular classroom setting. One or more special education students would be included in a regular class; the special education resources still would be available to tend to the special needs of the handicapped students within the classroom setting. Integration of vocational education refers to blending vocational instruction into the curriculum of high school students. In California, Partnership Academies blend academic and vocational material into a single curriculum centered around a particular industry.

Research suggests that integrated services result in higher student achievement than separate services. These research findings show that:

- Separate *special education* services may actually reduce the achievement of children with handicapping conditions. One recent study of special education in the United States concluded that completely segregated classes for special education students actually *lowered* educational performance of students by a substantial amount. Instead, the study found that "full- or part-time regular class placements [were] more

beneficial for students' achievement, self-esteem, behavior, and emotional adjustment."[10]

- Including *vocational education* in an integrated curriculum can result in significant increases in academic performance of high school students in vocational- and general-education programs. Research has not reached any conclusions regarding the effectiveness of integrated programs on increasing employment and earnings of participants.[11]

In a 1988 report discussing categorical programs within schools that receive "large amounts of categorical funds," the State Department of Education (SDE) concluded "adding layers of multiple categorical programs onto the base program without a vision and cohesive strategy has impaired the prospects for significantly narrowing the achievement gap [between special needs students and other students] . . . ."[12] According to the SDE study, creating separate programs for separate problems results in fragmented services in these schools. This fragmentation leads to a number of serious organizational deficiencies at the school site including:

- ***Program designs are based more on program rules rather than a vision of how best to serve students.*** Schools lack a school-wide vision for school improvement and what that vision means for all students. Program rules, which are designed to ensure that services reach eligible students, focus local concerns on fiscal tracking rather than the best way to achieve the program's goals.

- ***Separate services for eligible students diffuse responsibility for improving student achievement.*** Categori-

[10] Gartner and Lipsky, 1987, page 8.

[11] Southern Regional Education Board, 1992.

[12] SDE, 1988, page 9.

> cal programs are commonly implemented through the use of "pull-out" programs, in which students are provided supplemental instruction outside of the regular classroom. The use of pull-out programs leads teachers to assume that helping low-achieving students progress was someone else's job. "The typical perception of the teachers of these low-achieving students is that supplementing their education is the responsibility of another specialist—not their own responsibility."[13]

Thus, as a system of providing funds to schools for specific purposes, categorical programs promote attention to rules and to each teacher's narrow role rather than encourage a broader problem-solving approach to improving student achievement. Categorical program rules act to restrict rather than create new options for schools.

Directly Funding Other Agencies May Further Fragment Services. Some programs directly fund agencies other than schools or districts. For example, ROC/Ps and Special Education Local Planning Areas (SELPAs) are funded directly by the state, even though they may not be part of a school district. These agencies were created at a time when specialized programs were under development. These regional agencies were assigned the job of developing and improving specialized services for students. To that end, however, they reduced decision-making authority of schools and districts.

This separation of responsibilities has two serious problems. First, the separation of the systems encourages schools to act as if addressing problems of special education and job training is not the job of each school and each teacher. Dividing responsibilities between agencies promotes the same "that's not my job" mentality in districts as we discussed occurs with teachers. Indeed, many educators from special education and ROC/Ps we talked to

[13] SDE, 1988, page 16.

expressed great concern over what they believe is a low level of concern of many administrators and teachers for the needs of students with disabilities and for vocational education.

Second, direct funding creates fiscal incentives that can lead to rigidity in practice. In the case of special education, SELPAs may have higher funding rates than participating school districts. Because of this higher rate, a SELPA can provide a higher level of services to special education students. This places districts in a dilemma: a district may want to serve special education students now being served by the SELPA. The district's lower rate, however, will not permit the district to provide the same level of services as the SELPA. Thus, in this case, the fiscal structure may impede program changes that are in the best interests of students.

A similar analysis applies to ROC/Ps. Dedicated funding for ROC/Ps, along with a mission that permits ROC/Ps to determine the appropriate mix of high school and adult students, results in local programs that may not be responsive to the needs of high school students and programs. Thus, direct funding permits ROC/Ps to seek other "markets" for clients rather than change the mix of services to meet the needs of high school students.

Negative Program Incentives Steer Schools in the Wrong Direction

Categorical program funding mechanisms may create fiscal incentives that encourage LEAs to act in ways that are not in the best interests of students. For instance, a number of programs use funding formulas that allocate funds based on the number of students identified as needing additional services.

While such a funding structure encourages schools to identify students with these special needs, it also creates an incentive for LEAs to identify students who are not strictly eligible in order to

increase categorical program funding. In special education, the broad definition of "learning disabled" permits wide discretion over student classification. Educators and researchers believe the financial incentives matched with the broad definition of eligibility results in districts identifying students as special-education-eligible who should be served in other categorical programs instead. In a recent study of services for LEP students, researchers found that funding formulas discouraged teachers from reclassifying students as fluent English proficient—to do so would reduce state funding for student services.[14]

There are other negative fiscal incentives that affect local decision making. For example, the state Nonpublic School (NPS) Program supports the costs of special education students placed in a private school. Under state law, this placement should represent the most appropriate way to serve these special education students. The program funding mechanism, however, also creates a financial advantage for serving students in an NPS setting by shifting LEA costs to the state NPS Program. For students who require expensive services, this cost-avoidance can easily exceed $10,000 per student.

Administrative Requirements Reenforce Rule Orientation

To develop a sense of the regulatory environment schools face, we reviewed the state Coordinated Compliance Review (CCR) Training Guide for 1992-93 and the School-Based Program Coordination Act.[15] From this review, we conclude that the state administration of categorical programs impedes local flexibility in program design and administration by reenforcing the focus on program rules and regulations. While the Legislature and the SDE have taken steps to stress local flexibility and effective program practices, these measures

[14] Berman-Weiler, 1992, page 37.

[15] Unless otherwise indicated, all quotes in this section are from CCR Training Guide, SDE, 1992.

Problems With the Existing System

fall short of providing districts substantially more discretion over program design and administration.

CCR Process Remains Rule-Focused. The CCR is a 280-page document that describes for LEAs and state auditors the state and federal requirements schools must meet. All districts, county offices, and SELPAs are audited every three years to check for compliance with state and federal laws.

In recent years, the SDE has made an effort to increase the emphasis of district audits on program quality and the integration of categorical services with the school's "core curriculum." A section on program integration was added to the audit. Individual program compliance reviews also examine the effectiveness of services.

Despite these efforts, the CCR remains centered on financial and program process requirements. For example:

- ***Are categorical funds spent in the "proper sequence"?*** Of the categorical services a student may be eligible for, the CCR guide indicates that federal vocational education funds should be used "after all district-funded services, Economic Impact Aid-Limited English Proficient, School Improvement Program, federal Chapter 1-Compensatory Education, and Special Education funds have been spent." While there may be good fiscal reasons for an order to the expenditure of funds, the administrative task involved in ensuring compliance may be substantial.

- ***Are special education caseload limits exceeded?*** State law prescribes maximum caseload limits for certain specialists. While this requirement may reflect "best practices" at a certain time and place, the limits severely restrict how services may be delivered at the local level.

- ***Do services, equipment, materials, and supplies purchased with federal Chapter 2 funds supplement (and not supplant) the regular instructional program?*** In this case, districts must show that services and goods purchased with Chapter 2 funds were not also purchased with district general funds for other schools within the district or for the same school in prior years. "Supplement, not supplant" rules place a burden on districts to prove that changing priorities for categorical funds does not result in supplanting existing services purchased with other funds.

- ***Are supplemental services separately identified and charged proportionately to each multi-funded activity?*** The requirement to maintain a separate accounting for each program clearly creates an incentive to maintain separate services.

Taken separately, each rule or regulation may make sense. In the context of more than 200 pages of complex issues of finance and practice, however, the rules often appear arbitrary—and unrelated to the ultimate goal of these programs. As a result, we conclude that the CCR process reenforces to most districts the rule orientation of categorical programs.

The School-Based Program Coordination Act (SBPCA) Provides Little Additional Flexibility. In 1981 the Legislature created the SBPCA (Ch 100/81, Leroy Greene) to provide school sites greater flexibility in the use of certain categorical resources. The program provides no funds. Instead, school sites are given authority to co-mingle certain resources without concern for specific program requirements. Certain accounting and other requirements are waived. Decisions must be made by a site team composed of teachers, administrators, and parents and be based on the needs of the students.

Problems With the Existing System

There is less to the program, however, than meets the eye. Our review of the SBPCA indicates that the program offers only modest additional flexibility to schools, for the following reasons:

- ***Many of the programs that may be coordinated are relatively small or are available to only a few districts.*** While 17 programs are potentially subject to the act, for a majority of schools only one program—SIP—may be "coordinated." Miller-Unruh and Gifted and Talented Education (GATE) funds go to relatively few districts. Five programs (Continuation Schools, Independent Study, Opportunity Classes, ROC/Ps, and work experience programs) may be coordinated *if* the school operates an "at-risk" motivation and maintenance program. Relatively few schools operate these programs.

- ***Many of the program requirements that restrict local flexibility are not affected by the act.*** While up to 17 programs may be coordinated under the SBPCA, LEAs must still comply with important restrictions within those 17 programs. For instance, (1) special education services may be coordinated, but funds may not be co-mingled and most specific state special education requirements must still be complied with, (2) the requirement that Miller-Unruh funds be spent on reading specialists must be complied with, and (3) districts are required to hire outreach consultants under the Dropout Prevention Program.

- ***Districts may decide how categorical funds are spent, leaving school sites with little discretionary funds to coordinate.*** We visited districts in which the only state categorical money a site receives to spend is from the SIP. For all other programs, sites receive resources in the form of staff or supplies, but not the

actual funds. Clearly, this limits the possibilities of coordination.

From our review and from discussions with district and state administrators, the SBPCA does not provide enough additional flexibility to induce a substantial change in the operation of schools. In fact, many feel that the SBPCA provides no more flexibility than savvy districts possess without the program. This suggests that, to spur increased coordination and integration of services at the school site, greater flexibility over funding decisions at the school site is needed than is afforded by the SBPCA.

State Role Should Focus on Program Success—Not Process

This review of the effectiveness of categorical programs illustrates the dilemma facing the policymaker. On the one hand, too much flexibility can lead to supplanting of program funds, which reduces the program's impact. On the other hand, too little flexibility leads to programs that inhibit the ability of districts to address the real needs of students and may be only minimally effective in achieving intended results.

We believe these findings provide important lessons to guide the design of school funding programs:

- ***Programs succeed to the extent they affect what happens in the classroom.*** This means that school-site teachers and administrators must be actively involved in the design of local programs. Many categorical programs in California restrict LEA flexibility over the design and operation of programs. School districts further limit the options available to school sites as part of the local budgeting and resource allocation process.

- ***Programs must accommodate the variations that exist in the real world.*** Creating a complex set of rules for every situation will stifle innovation and encourage mere compliance. Many programs rely on a complex set of rules and enforcement procedures to direct local expenditures for intended services. This focuses LEA attention on fiscal and program rules, not the success of programs in improving student achievement. Using performance measures to communicate expectations and measure accomplishments should be considered as an alternative to a rule-based system.

- ***Programs need to encourage the integration of categorical services into the regular program rather than creating a separate structure to provide services.*** Program rules and regulations currently promote separate services for groups of students. This separation fragments services at the school site, diffuses responsibility for student achievement, and reduces the effectiveness of both the regular program and the categorical program services.

Chapter 5

Lessons for Program Design

This chapter explores the principles we believe the Legislature should use in reforming categorical program funding. These are:

- Maximize local control whenever possible.
- Clearly identify program goals.
- Reward schools for good performance.
- Consolidate and simplify funding structures.
- Foster a learning environment.

Maximize Local Control Whenever Possible

While the state has a legitimate interest in overseeing the use of funding allocated for particular purposes, the state should maximize local control over the details of program design whenever possible. By increasing local flexibility over program details, schools would have more latitude to use funds in ways that meet the needs of their students.

Our review indicates that the state has a legitimate interest in allocating funds for specific purposes. Categorical programs exist, in part, because LEAs have underfunded certain programs or services in the past. By segregating funds, the state protects these programs

from the pressures of local funding demands. In addition, by controlling the allocation of categorical funds, the state can target resources to areas with the greatest demonstrated need for supplemental services.

Although the state has a legitimate role in allocating resources, our review indicates that, to the extent possible, the state should maximize local control over the details of program design. Research emphasizing the role of individual schools in reform efforts suggests that funds should be made available to schools, rather than districts or other LEAs, because this promotes the active involvement of school staff in the design of programs and encourages school-level problem-solving.

The extent to which local control is desirable depends on the nature of each program. The benefit of decentralization is increased responsiveness to local service needs. The risk of decentralization is that local decision making (district or school) may conflict with other state objectives. We identify the following specific factors to consider when determining which program design approach to use.

Efficiency. For some programs, centralized service delivery may be the most efficient way to provide services without a major loss in the responsiveness of services to teachers and administrators. For example, regional services provided through programs like Administrator Training and Subject Matter Projects provide needed school improvement services in a higher-quality, less expensive manner than could be provided by individual districts. For programs designed to meet special student needs, however, providing services on a regional or statewide basis may result in the loss of school or district control over the types of services that are available to needy students. For these programs, we believe funds should be distributed to schools or districts along with the flexibility to contract with regional or state programs to provide the required services.

State- or District-Wide Consistency. A small number of programs may require centralized program development and administration

because uniformity is an important feature of the program. For example, the success of the CAP testing program depends, in part, on statewide uniformity. Similarly, allowing each high school within a district to develop a separate school-to-work transition program with private-sector employers might create confusion and inconsistencies that limit program success. In this case, a coordinated district-wide approach is warranted.

Fiscal Incentives. Occasionally, local incentives conflict with the goals of the state or school incentives conflict with those of the district. In these cases, local flexibility may result in unintended consequences. Without state graduation standards, for example, "low-performing" districts would have an incentive to create lower standards in order to generate higher graduation rates.

In Chapter 2, we categorized programs in five program design categories: incentives, block grants, specific program model, various program models, and mandates. Below we discuss the strengths and weaknesses of each program design category in providing various levels of local control.

Incentives

One way to support state initiatives is through incentive funding, where districts are offered bonuses for taking specific actions. These actions could be administrative in nature—such as opting for year-round schools—or based on student achievement—bonuses for good academic performance, for instance.

Incentive funding has many strengths. State decision makers promote activities using a carrot rather than a stick. Also, incentives send clear messages to LEAs about state goals and objectives. By altering the size of incentive payments, the state can increase or reduce local incentive for certain activities. The choice of program model usually is left to local discretion.

53

Lessons for Program Design

The weakness of incentive funding is two-fold: [illegible] cannot make a district do anything. The Legislature [illegible] size of incentives to encourage more districts to participate or [illegible] the cost of increasing payments to all participating districts. [illegible] incentive programs can become as rule-based as categorical programs if the desired activity or outcome is not well-specified. [illegible] tive programs should center around outputs (either administrative—such as year-round schools—or academic outputs—such as increasing test scores) so that process does not become the issue.

Block Grants

Block grants provide funding to local entities in a manner that gives local discretion over the use of funds. Block grants may cover a wider range of program areas so that local entities may direct funding to those areas considered valuable to local decision makers. The state funds adult education, for instance, with block grants. Within the amount allocated by the state, each district determines how to provide services and the types of courses that best meet the needs of the local adult population.

The strength of block grants is the amount of flexibility provided to administering agencies. Block grants provide state control over the use of funds but local autonomy over the best way to provide services. Block grants can contain internal fund allocations (percentages of funds to be used for specific purposes), if the legislature determines that such set-asides are essential to meeting the goals of the program.

The weakness of block grants is that local decision makers may use the flexibility to thwart the intent of the legislature. In the past, attempts by state policymakers to ensure compliance with state intent resulted in rules and restrictions that defeated the purpose of block grants. We believe the state should emphasize outcome measures as a way to measure compliance. Rules and compliance measures should be used only in extreme cases and on an individual school or district basis.

Specific and Various Program Models

Programs requiring and funding specific actions on the part of schools and districts are considered "specific program models." The amount of flexibility given to districts over the use of funds may differ greatly, however. Special education funding rules, for instance, mandate minimum class sizes. These requirements greatly reduce local flexibility over program operation. On the other hand, the Miller-Unruh Reading Program, while requiring funds to be spent on reading specialists, can be implemented by districts in a number of different ways.

Specific program models should be used primarily to test new ways to deliver services or when available outcome measures do not provide the level of accountability needed to ensure the appropriate use of funds by LEAs. The weakness of requiring specific program models is that program requirements often restrict local flexibility over program design, thus limiting program effectiveness.

"Various program models" refers to programs that provide several specific program model options among which districts may choose. These programs tend to provide greater flexibility than programs with specific program models. Generally, however, the strengths and weaknesses of the various program models approach are the same as for specific program models.

Mandates

The state can simply require LEAs to conduct specific activities. For instance, the state requires districts to undertake certain activities, such as screening students for scoliosis. Mandating standards, such as graduation standards, is a different use of mandates. Mandates also can establish a required process, such as collective bargaining. Under the State Constitution, local agencies are reimbursed for state-mandated program cost based on actual costs as approved by the Commission on State Mandates.

Lessons for Program Design

The strength of mandates is they require districts to produce very specific outputs or set specific standards—how to produce that output or meet those standards is left to local discretion. Mandates can be cost-effective when used to set standards. For instance, graduation standards had a major impact on high school course requirements at a relatively modest cost of $2.8 million annually.

The weakness of mandates is the overall loss of local control associated with state mandates—they *require* certain actions of LEAs (most categorical programs are voluntary). In addition, local control over process may be further weakened through the state reimbursement process. As part of that process, the Commission on State Mandates approves a test claim that may implicitly incorporate a way of implementing each specific mandate. Because subsequent claims for reimbursement are based on the test claim, the commission's determination may structure how other districts provide services.

Clearly Identify Program Goals

The state needs to clearly define program goals and outcome measures for categorical programs. Clearly defined outcome measures will more forcefully communicate to LEAs the goals of individual categorical programs. In addition, outcome measures offer the possibility of distinguishing which districts are doing a good job from those which are doing a poor job.

Our experience with government programs suggests that performance measures can strongly influence the operation of local programs. The influence of these measures can be positive or negative. If outcome measures are subject to manipulation or if the measures provide misleading information, then outcome measures can actually push program administration in the wrong direction.

In California, standardized tests (through the California Assessment Program) provide the primary measure of feedback on program performance. While tests constitute one important outcome measure, we believe it is essential to identify other outcome measures using school and district data. For instance, teacher and student attendance rates are one measure of attitudes about a school.

Developing meaningful, fair outcome measures will take years of effort. The education community has little experience in using outcome measures and, as a result, there is much to learn about which measures provide meaningful information to policymakers and administrators. In a later section in this chapter, we discuss how outcome measures should provide the data for a long-term effort to better understand how services, learning environment, and social conditions affect student achievement. To begin that process, to clearly communicate to LEAs the goals of categorical programs, and to help distinguish which districts need special assistance in designing and administering categorical programs, we believe the Legislature should establish outcome measures for each categorical program. Below we discuss some of the main issues in developing these measures.

Broaden Program Goals

The narrowness of many categorical programs magnifies the difficulty of creating effective performance measures, for two reasons. First, gauging the impact of narrowly focused categorical programs on student learning is nearly impossible without a very expensive and precise evaluation. Second, trying to assess the success of individual categorical programs may ignore a more important issue: how the program affects other categorical programs. For example, what relationship does the Mentor Teacher Program have to a school's SIP plan, to a school or district staff management plan, or to the New Teacher Program? These measurement issues argue for outcome measures that inform state and local policymakers of the overall success of schools in educating students rather than the impact of individual narrow categorical programs.

57

Develop Organizational Performance Measures

Research suggests a healthy organization is an important precondition to improved learning. "Instructional quality flows from organizational competence".[1] Indeed, many school reform efforts emphasize the process of building an effective organization—developing leadership skills, teamwork, and a commitment to quality.

Seen from this perspective, outcome measures could answer a number of questions about the ability of schools to identify and deliver needed services: Does the school have the organizational competence to provide a quality service? Is the organization engaged in improving the quality of education for all students? For instance, a key component of a healthy school organization is an effective principal, who provides instructional leadership, creates a healthy instructional environment, and involves parents and other community members in important school matters.

Measuring these outputs in an objective way is not an easy matter. If appropriate measures can be found, though, the data could provide important information to principals and parents, as well as policymakers.

Avoid Unintended Consequences

One danger underlying the reliance on outcome measures is that the identified measures will unintentionally encourage the "wrong" types of behavior. This can happen because local organizations find operational ways to manipulate the statistics or because the identified measures do not accurately reflect the impact of services on recipients. Either way, undue emphasis on outcome measures can actually produce harmful results:

"Teaching to the Tests." Schools may adopt teaching practices simply to generate better test scores rather than promote student

[1] Timar, 1992, page 15.

achievement. Standardized tests have been criticized as encouraging teachers to focus on content knowledge rather than an ability to think and analyze. An SDE report on "low-performing schools," for example, concluded that pressure to show improvement on standardized tests often reenforces a weakening of the curriculum.[2]

Manipulating Required Data. Unless outcome measures are very clearly defined, agencies have been known to manipulate data in order to demonstrate success. One simple way is to redefine what or who is being measured. A school's test scores would appear to increase, for instance, if the school excluded "low-performing" students from testing—and, currently, many special education and LEP students are not tested. Thus, schools or districts should not have the authority to "define the denominator" of any performance measure.

Given the limited use of outcome measures in education, it is quite possible that some outcome measures would encourage local practices that have little impact on student performance. For instance, if the state measured the percentage of non-college-bound high school graduates who work upon graduation, it would encourage schools to help students get any job, but not necessarily a better job than students would have otherwise found. Thus, finding outcome measures that are correlated with program impacts is extremely important. This also implies that good evaluations are crucial to a true understanding of how well programs and performance measures work.

Reward Schools For Good Performance

The state should ensure that categorical program funding does not encourage LEA behavior that is contrary to the best interest of students. Negative incentives need to be replaced with positive

[2] SDE, 1988.

59

incentives. Eliminating the classification of "eligible" students for funding purposes will improve program incentives for LEAs.

Create New Incentives

By creating new incentive structures, the Legislature can send important signals to LEAs about its goals for education. The Legislature currently has in place several programs providing incentive funding to encourage LEAs to provide a specific service, like longer school days. A second type of incentive program is one that rewards districts/schools/teachers for "good" performance. There are two types of performance-based incentive programs that educators have tried:

Teacher incentives provide extra pay for exemplary work. Unfortunately, these programs have a number of problems, including (1) teachers may perceive that performance assessments are arbitrary, (2) merit pay may interfere with the "team" performance of schools, and (3) teachers may prefer improved working conditions over higher pay.[3]

School-based incentives to reward schools for good performance. A number of states, including California, have experimented with providing cash rewards for exemplary performance (California's program is no longer in place). Researchers believe this approach shows promise for improving school performance. A number of program variables must be addressed, including (1) what outcomes should be measured, (2) the size of incentive awards, (3) whether high-performing or rapidly improving schools should receive awards, and (4) how incentive funds may be used.

We believe a greater use can be made of incentives in the California education system. Incentives can create a positive statement for what the state expects of the education system and gives LEAs a way to measure how well local programs meet the state's expectations.

---

[3] Elmore, 1991, page 11.

One example of a positive incentive program can be found in the federal Job Training Partnership Act Program. The program devotes 6 percent of its annual funding to incentive grants to local programs. If local programs perform up to a specified standard on five of the six required outcome measures, incentive grants may be used for almost any program purpose. If local programs do not perform well, the grants must be used to improve services and program outcomes in the future.

Eliminate Negative Incentives

In addition to creating new positive incentives, existing negative program incentives also must be eliminated. This requires detailed program reviews to identify these incentives and devise ways to create a more neutral funding system.

Negative fiscal incentives that lead to inappropriately classifying "eligible" students can be neutralized by defining categories using external student attributes. For example, compensatory funds provided by the Economic Impact Aid Program are based on the number of children receiving Aid to Families with Dependent Children (AFDC). Research has clearly linked low achievement with low income. For that reason, using AFDC as a proxy indicator for compensatory service need is a reasonable substitute for other achievement-related indicators. Since schools cannot influence whether the child and his or her family receives AFDC, districts cannot manipulate the formula to garner additional funds.

Consolidate and Simplify Funding Structures

The state needs to consolidate programs and simplify funding structures in order to eliminate many of the problems currently caused by the system of categorical programs. Consolidating programs would reduce program fragmentation. Further simplifying the school finance system would help schools focus on policy and practice rather than funding formulas.

61

incentives. Eliminating the classification of "eligible" students for funding purposes will improve program incentives for LEAs.

Create New Incentives

By creating new incentive structures, the Legislature can send important signals to LEAs about its goals for education. The Legislature currently has in place several programs providing incentive funding to encourage LEAs to provide a specific service, like longer school days. A second type of incentive program is one that rewards districts/schools/teachers for "good" performance. There are two types of performance-based incentive programs that educators have tried:

Teacher incentives provide extra pay for exemplary work. Unfortunately, these programs have a number of problems, including (1) teachers may perceive that performance assessments are arbitrary, (2) merit pay may interfere with the "team" performance of schools, and (3) teachers may prefer improved working conditions over higher pay.[3]

School-based incentives to reward schools for good performance. A number of states, including California, have experimented with providing cash rewards for exemplary performance (California's program is no longer in place). Researchers believe this approach shows promise for improving school performance. A number of program variables must be addressed, including (1) what outcomes should be measured, (2) the size of incentive awards, (3) whether high-performing or rapidly improving schools should receive awards, and (4) how incentive funds may be used.

We believe a greater use can be made of incentives in the California education system. Incentives can create a positive statement for what the state expects of the education system and gives LEAs a way to measure how well local programs meet the state's expectations.

---

[3] Elmore, 1991, page 11.

instance, the state funds five programs that support specific services for students at risk of dropping out of school. Combining these programs would not only simplify the funding system, but it also could provide additional flexibility to LEAs in choosing the program model that best meets local needs.

Although we believe consolidation of programs is warranted, program consolidation should proceed deliberately, with a focus on goals and performance measures.

Foster a Learning Environment

The state and LEAs need to make a greater effort to learn how services, learning environments, and social conditions affect student achievement, both in the long and short term. This means finding outcome measures that supply feedback to administrators and policymakers about program effectiveness. Evaluation should be used to assess the effectiveness of services and validate the accuracy of performance measures.

Developing Local Analytical Capacity

Fostering a learning environment at the local level means developing a capacity at the school site level to identify problems, develop and implement solutions, and collect data to determine whether those problems were resolved. While this analytical process occurs every day in most classrooms (as part of each teacher's effort to ensure all students are learning required material), it may not occur at the school-wide level.

This type of analytical capability at the school site is crucial to a successful program. The development of program goals and outcome measures will, by itself, create more attention to the impact of services on those goals. LEAs need to understand how to use outcome data. State and regional staff development programs should offer training for LEA staff in basic analytical techniques. Program

reviews should emphasize how to use outcome measures as feedback for program design purposes.

Statewide Evaluation

Evaluation, too, is a critical part of a system that learns from its experiences. Evaluation provides a rigorous assessment of the value of services. In addition, evaluation can validate performance measures—determine whether these measures indicate the actual program impact. Program evaluation is an area where we believe the state must play a leading role in both funding and program design. This is because the state is in the best position to assure that evaluations are uniformly of high quality, that economies of scale in evaluating different program models are realized, and that the issues of importance to LEAs and state policymakers are addressed. Good evaluations also can:

- Contribute to an understanding of which program model works best in a given situation. Differences among schools or the students schools serve may call for different approaches to addressing particular problems. A greater understanding of how well program models work for certain groups in different situations would provide schools with a more strategic view of available service models.

- Increase our knowledge of long-term effects of educational services. Certain evaluation designs permit evaluators to measure the long-term impact of services relatively easily—data on individuals are simply collected for a longer period of time. Long-term assessment of impact has been conducted for very few education programs.

- Validate whether outcome measures used to gauge district or school performance accurately serve as a guide to school performance. As we discussed above,

outcome measures must be validated. The only way to do that is to clearly understand the effect of services and then determine whether outcome measures reflect actual program experience.

Unfortunately, program evaluations in California have not been as useful as they can be. While the Legislature has spent millions of dollars on program evaluations in education, the state has little to show for these expenditures. Below we identify five critical ingredients to good evaluations:

- Require the use of randomly selected control groups. Almost no education programs use this evaluation design. Without the use of randomized control groups, it is very difficult to accurately measure the impact of services. This design also permits measurement of long-term impacts at a relatively low cost.

- Clearly understand what the evaluation is designed to accomplish. Programs often have multiple, or even conflicting, goals. An evaluation can measure a program's ability to accomplish conflicting goals, so long as the evaluation clearly identifies that as a purpose. If the purpose of the evaluation is unclear, the results will not be as helpful as possible.

- Identify what instruments or outcomes will be used to measure success. Careful attention must be paid to ensure that consistent measurements are possible among all participants in an evaluation. A recent evaluation of bilingual programs in California was unable to assess the impact of program services because consistent data were not available.

- Evaluate the success of broader educational processes rather than the impact of narrowly focused services.

BEST COPY AVAILABLE
65

As we discussed, categorical programs may fund a narrow part of a much broader process within the educational delivery system. Evaluating the impact of narrow services is very difficult to do and minimizes the importance of the services as part of a larger school strategy. Evaluating the broader processes at work in schools examines the success of teachers and administrators in using a variety of different tools to accomplish a goal.

- Understand the impact of services on subgroups of students. Not all students will benefit from program services equally. A number of attributes may alter the impact of program services, such as sex, race, ethnicity, etc. Identifying the effect of services on different subgroups of students would generate extremely useful data for schools.

The principles discussed in this chapter are designed to identify the critical design questions that must be addressed as part of an effort to reform existing categorical education programs. These principles, however, must be supplemented by an understanding of the purpose of each program and a sense of how each program operates at the local level. In the next chapter, we discuss our recommendations for consolidating and simplifying categorical programs.

66

Chapter 6

Recommendations

In this chapter, we recommend ways the Legislature can restructure a number of existing categorical programs. The recommendations take two general forms: the first four recommendations propose to create specific new programs by consolidating or redirecting funds from 19 existing categorical programs (the first three of these recommendations were included in our *Analysis of the 1993-94 Budget Bill*). The final three recommendations propose a broad rethinking of major state programs and strategies.

First Step in a Long-Term Change

The recommendations in this report do not represent a proposal to merge most or all categorical programs into one or more block grants. We believe that categorical programs should be continued because they play a legitimate role in protecting education funds for specific services from local funding pressures.

Neither do we believe the recommendations contained in this report represent the only improvements that can be made to the state's system of categorical programs. We see our recommendations as a starting point for an effort to refocus categorical programs on achieving specific school and student improvement goals. Consolidation of programs is one part in this effort.

In addition, we have identified a number of ways the state can lead the school improvement effort. Specifically, the state can (1) use performance measurements, standards, and incentives, rather than mandates and programs, to send strong signals about what schools

67

should accomplish and (2) evaluate instructional models and strategies to help LEAs understand better the success of particular approaches. We believe this represents a productive long-term role for the state, one that could bring about great improvements in achievement over time.

A New School Improvement Block Grant

We recommend the Legislature consolidate 13 separate categorical programs into one school improvement block grant.

This grant, which would be required to be distributed directly to each school site, would provide the support for school-wide improvement activities—improvements affecting all students at the school.

Programs That Could Be Combined

We recommend merging the following 13 programs into the new school improvement block grant:

- The School Improvement Program (SIP).
- Education Technology (at least those funds directly granted to schools).
- Instructional Materials.
- Partnership Academies.
- Class-Size Reduction.
- Staff Development (at least those funds directly granted to schools).

- Tenth-Grade Counseling.
- New Teacher Support.
- Miller-Unruh Reading.
- Geography Education.
- Teacher Evaluators.
- Vocational Education Equipment.
- Demonstration Programs in Mathematics and Science.

This consolidation would place about $570 million in General Fund support for school improvement activities at the school level. This is $250 million more than is currently made available under the SIP.

School and District Plans

School improvement plans would be developed by a site council, as in the existing SIP. These plans would contain more detailed information on the progress the school has made in its improvement efforts, however. In addition, school site councils would be empowered to take a broader role in reviewing the effectiveness of school programs. Councils also would be required to review whether prior-year goals set forth in the SIP plan were achieved.

Districts would be required to take a more active role in the SIP process, as well. We believe there is an important role for the district in helping coordinate improvement efforts and to provide technical assistance to school councils in implementing new models of service delivery and in program assessment.

69

Use of Funds

Block grant funds could be used for any purpose. Because the focus of the program is school improvement, however, the primary use for the funds should be one-time expenditures, such as staff development, books, and computers. Consequently, we would encourage limits on the percentage of funds that could be spent on teachers, aides, and other ongoing expenses so that school councils would maintain the flexibility to redirect funds to new uses as required. Specific program requirements of the 13 existing programs would be repealed.

Data Requirements and Outcome Measures

Schools would be required to include a fairly broad array of data in SIP plans. Data would include test scores and measures of student satisfaction (including attendance) for the preceding two years; these measures should be disaggregated by achievement and other attributes (LEP, special education). This would illustrate the progress made by each site for different groups of the school population.

Data on the school as a workplace (teacher attendance), organizational health (PTA and SIP council perspectives), and the quality of the school's physical resources for the prior two years also should be included. This information would provide a fairly complete view of the progress the school has made in improving its general program. Comparable data on other schools within the district also should be included as a way of contrasting the experience of the school in question.

A School Incentives Award Program

We recommend the Legislature create a new School Incentives Award Fund to provide financial awards to schools that perform well.

Recommendations

We suggest using the almost $70 million now allocated to the Mentor Teacher Program to create positive incentives—or rewards—for schools that perform well. The use of mentor teacher funds for a school incentive program is appropriate in two respects. First, mentor teacher funding is sufficient to provide fairly large awards to schools—large enough to be meaningful to teachers, principals, and parents.

Second, the Mentor Teacher Program is designed to recognize and capture the talents of the state's best teachers in the school improvement process. Our suggested incentive program takes that idea one step further: it is designed to recognize the achievements of the state's high-achieving or quickly improving schools. The program would make awards to school sites that administered very effective programs or showed great progress in improving its program. Awards could be used in any manner, including teacher stipends, as determined by the site council.

Which Schools Would Receive Awards?

Awards would be made to the highest-performing schools and the schools showing the greatest increase in performance over a two-year period in a variety of different performance areas. If 10 percent of the roughly 7,000 schools in the state received an award each year, the $70 million from the Mentor Teacher Program would provide an average of $100,000 per school. Awards also could be based on a per-ADA amount. However the school grants are calculated, we believe that awards of this magnitude will send a very strong message to schools. We also would suggest that schools be limited to two awards each year and that no school be permitted to receive an award for more than two consecutive years.

What Performance Areas Would Be Included?

Test scores clearly would be one area used to make awards. There are other areas, however, of particular importance to elementary, junior, and senior high schools:

71

- Elementary schools, for instance, could be rated for attendance and the percentage of students reading at grade level at the end of third and sixth grade.

- Junior high schools could be rated based on dropout rates, percentage of students mastering basic skills by the end of eighth grade, and the percentage of students receiving individual career counseling.

- Senior high schools could be rated based on dropout rates; graduation rates; the percentage of students who go to college, additional training, or find full-time employment; and the wages of those who choose to work upon graduation.

Awards also could be given to schools that do a very effective job at integrating special education, vocational education, and compensatory instruction into the classroom.

A New High School "At-Risk" Block Grant

We recommend the Legislature consolidate five existing programs currently serving students at risk of dropping out of high school into one block grant for that purpose in order to give districts more ways to serve this population.

Among the programs targeted at special needs students, the state funds five different programs that are used to provide additional services to students at risk of dropping out of high school. Each program requires districts follow a specific service delivery model. Most districts receive funding from one or two of these programs, which means districts are limited in the approach they can take to dropout prevention by the funding source they receive.

Programs That Could Be Combined

We recommend merging the following five programs into the new high school "at-risk" block grant:

- Dropout Prevention.
- Continuation Schools (the amount above the district's revenue limit).
- Proficiency in Basic Skills.
- Concurrent enrollment in Adult Education (from within each district's 10 percent allowance).
- Economic Impact Aid (compensatory funds going to high schools only).

This consolidation would provide up to $200 million for supplemental services. We suggest that districts should be required to pass funds through to each high school within the district based on each school's need. In this way, each high school would have a pool of funds to support dropout prevention activities.

Use of Funds

Under this block grant, districts would have broad latitude over the use of funds, thereby permitting districts to use the service delivery model that best meets the needs of students. Districts would have the authority to experiment with different ways to prevent dropouts. Some believe that dropouts can be identified in middle or junior high school years or even during elementary school. Districts should be able to try different approaches using these funds.

73

Data Requirements and Outcome Measures

Success of local programs should be measured by a school's ability to prevent dropouts, its ability to help those who have already dropped out, attendance, and the percentage of students completing 12th grade without sufficient course credits to graduate. In addition, schools should be required to report post-graduation data on employment, wages, the percentage of students attending college or other training programs, and other relevant outcomes. These data are essential to increasing the awareness of how school affects a student's post-high school employment opportunities. We believe these data can be obtained at a relatively modest additional cost.

A Program of Evaluation

We recommend the Legislature establish a program to evaluate program models in a number of essential areas of California's K-12 education.

One of the major findings in this report is that very little information is available regarding the effectiveness of education services. While the Legislature has spent millions of dollars on program evaluations in education, there is little to show for these expenditures.

We believe that well-conceived evaluations are essential to further improvements in school performance. Taking full advantage of evaluations will require a change in the perspective of what evaluations are for. In the previous chapter, we concluded that the state should reduce the reliance on *state* program design, focusing instead on the quality of local efforts to meet specified outcomes. In the same way, evaluations should not be used primarily as a way to determine the success of state programs, but to gain valuable information on the effectiveness of local interventions.

Given the current limited understanding of the success of most education program models, we recommend the Legislature begin to

74

evaluate systematically the effectiveness of local programs. The question in our minds is not whether a program of evaluation should be initiated, but which programs should receive the initial focus. Given the ominous budget situation the state—and education—faces, we do not make this recommendation lightly. The budget demands of such a program, however, would be modest during the first year or two because considerable time would be needed to establish a framework for future evaluations.

While good evaluations are costly and take a number of years, the payoff to students—in more effective programs—is obvious. In addition, the long-term benefits to state and local decision makers are great. In a report to Congress on the role of research in education reform, a panel of the National Academy of Science concluded:

> [W]ithout high-quality and credible evaluations, school districts will never be able to choose wisely among available innovations . . . . The committee is convinced that widespread school reform will require partnerships between researchers and practitioners. Each has much to contribute to the quest.[1]

Use of Funds

Funds would be made available by the state for the support of evaluations using randomly created test and control groups. Evaluations would seek to understand the impacts of services on students, with a focus on specific subgroups of students and different types of school conditions.

Governance

Evaluations should be guided by a representative group of legislators, the SDE and other state agency staff, local school administrators and teachers, and academic experts, as well as other interested groups. This group is needed because, in order to design the evaluation, many difficult and sometimes sensitive issues need to be

[1] National Academy of Science, 1992.

75

addressed. By developing a consensus on the important issues, this group would shape the evaluation—what questions were emphasized, what data were essential.

What to Study

We believe high priority should be given to understanding the success of programs for LEP students. Demographers do not expect a great decline in the numbers of immigrants coming to California during the next ten years. Children in these families represent a significant proportion of the economy's workers of the 21st century. Mastery of English by these students is considered vital to the future of the state's economy. Through evaluation, we believe programs for these students can be greatly improved.

Equally important, vocational education and skill training is due for evaluation. Since at least half of all high school graduates never attend college, programs focused on the needs of students who work upon graduation—and vocational education and skill training appear to be among the few programs that are targeted at this population—could provide big dividends.

Revamp Special Education

We recommend the Legislature revamp the funding system for special education programs in order to create positive incentives for schools to integrate special education students into the mainstream classroom.

Special Education is the most complicated categorical program, and the program that is most in need of a comprehensive restructuring. Over time, the program has accumulated a wide array of fiscal incentives that lead to negative consequences:

Funding based on the number of special education students penalizes districts for transitioning students out of special education. As we

76

discussed earlier, schools lose funds when a student stops being identified as "special education" eligible. The student, however, may still need services in order to succeed in the regular classroom. This creates a major disincentive for districts to emphasize transitioning students into regular classrooms.

Few indicators are available to measure whether special education programs are maximizing student performance. Special education students are often excused from taking standardized assessment tests, such as CAP tests. In addition, there are little data available on the extent to which special services permit special education students to return to regular classrooms.

Caseload limits contained in state law for many types of special education employees inhibit local service innovation. Resource specialist caseloads are limited to 28 students. State law limits speech, language, and hearing specialists to 55 students. Special day classes are structured at 10 students. While it is true that these limits usually may be waived, these types of controls emphasize compliance over performance. And, as research indicates, controls may secure compliance, but they do little to assure quality programs.

By partially or fully underwriting the cost of students who receive services in settings outside the district or Special Education Local Plan Area (SELPA), the funding system encourages districts to place students outside regular classrooms. The state provides special subsidies for some or all of the cost of students who receive services from outside public and private agencies, such as state diagnostic centers, state special schools, and other private agencies that serve special education students. These costs can be substantial—totaling more than $50,000 per student each year. By subsidizing these costs, the state encourages districts to strongly consider these types of placements rather than develop settings within the district or SELPA that meet the needs of students.

77

A Special Education Block Grant

A revamped special education funding system would encourage the integration of special education students into regular classrooms. The system also would reward administrators for reducing costs—but not necessarily services. For instance, the system should encourage administrators to provide preventive services to students who are at risk of being identified for special education.

At the same time, any change in the funding and program structure should be accompanied by a clear statement that the new structure is not intended to reduce in any way the commitment of the state to identifying and meeting the needs of special education students in the state. We believe the Individualized Education Plan process, with the protection mandated by federal law and interpreted by court action, provides a guarantee that students will not be denied needed services. By relaxing the constraints on the way services may be provided by districts, the effectiveness of services to special education students should be improved.

A revamped special education funding system would look as follows:

Each student would receive a base district revenue limit. These funds would be provided to the district in which each student resides. By doing so, the Legislature would bring all special education students into the same funding system that supports all other students.

The remaining special education funds would be distributed to districts in the form of a special education block grant (SEBG). A district's SEBG would include the amount of funds currently provided for services to the district's special education students, including funding directly provided to SELPAs, state diagnostic centers, state special schools, and a portion of nonpublic placements. In addition, funds for the Early Intervention for School Success Program and special education transportation costs would be

78

included in the SEBG (the remainder of transportation funds should be merged into district revenue limits). With these funds, districts would pay almost all costs associated with special education of students living within its attendance area. Out-of-district placements still could occur at any of the existing agencies.

Caseload limits and other state rules that restrict local program options would be eliminated. This would give LEAs more flexibility to serve students in more efficient and effective ways.

The SEBG could be used to provide services to special education students and prevention or supplemental services to those who are "at risk" of becoming special education students. This would eliminate the current barrier to providing preventive services to those not yet identified as special education students.

The SEBG would receive growth allocations based on the district's overall growth in the number of students. If growth is allocated based on the identified special education population, the system would perpetuate the strong incentive to keep students in special education.

Districts would be given flexibility over the use of "excess" special education funds. Under our proposal, SEBG funds could be spent only for special education-related services. Over the long run, however, we believe an improved funding system can help districts reduce special education costs. For that reason, we believe districts should be able to apply to the state to transfer some "excess" portion of its special education funding to other parts of its program.

The state would need to continue subsidizing very expensive placements for small school districts. Nonpublic school program costs can far exceed the amount provided to districts for "average" special education students. Because of their size, these costs would not create major problems for large districts. Such costs, however, could bankrupt small districts. For that reason, the state would need to

79

continue paying for a share of these costs. That share could differ by the size of district as a way of recognizing the burden that very expensive settings place on district finances.

A Transition Plan

Our proposal would necessitate major changes in the way existing agencies operate. Because many of these changes will take time to implement, a multi-year road map of the transition would smooth the way for these agencies and assist the Legislature in developing realistic expectations of how the process will work. The most difficult transition will be for districts to assume the financial responsibility for very expensive services that are funded all or primarily by the state. The existing sharing ratios should be increased until, after three to four years, the full cost of services is borne by districts (and current state expenditures are allocated to districts). Because these changes are so significant, pilot testing of the revamped financing structure would help answer many of these transition issues.

As part of this transition plan, the Legislature and the SDE should focus on developing performance and outcome measures that will provide the state better information on the success of local programs. One initial step should be to begin the adoption of assessment tests for special education students. Other indicators should be developed as well. These efforts will require a significant amount of time. For that reason, and because of the importance of improving education's understanding of the effectiveness of special education programs, we view this assessment component as an essential part of the transition plan.

A New Career Training Block Grant

We recommend the Legislature revamp Regional Occupational Center/Program (ROC/P) funding into a vocational education block grant in order to encourage the integration of academic and

vocational education and help high school graduates obtain the skills needed to find well-paying jobs.

During the 1980s, a number of national studies raised concerns over the plight of high school students who did not receive any post-graduation college or job training.[2] Citing statistics showing declining real incomes for workers who had only a high school diploma, these studies called for increased attention on students whose immediate post-graduation plans involved working. The reports stressed that an improved school-to-work transition program would focus on two things: increasing basic math and English skills of graduates and provide entry into high-skill, high-wage occupations.

The SDE echoed these studies in its report *Second to None: A Vision of the New California High School*.[3] The report calls for reorganizing high school curricula in order to create high school course paths that lead toward specific occupational areas. These paths would combine academic, applied academic (or vocational), and field experiences (or work experience). Technical courses, such as electronics, engineering, and information technology would be more rigorous and sophisticated than those currently offered. These courses would be linked to community college vocational courses that offer even higher skill levels.

High schools currently have few resources with which to accomplish this new vision. In fact, the only readily identifiable state funds available to fund applied academics or higher-order job skill training in K-12 is money currently allocated to ROC/Ps. ROC/Ps are local educational agencies that are operated by school districts, county offices of education, or joint powers agencies to provide job training services. The 1992 Budget Act appropriated $244 million to ROC/Ps.

---

[2] For example, *The Forgotten Half: Non-College-Bound Youth in America*, W.T. Grant Foundation, Commission on Work, Family, and Citizenship, 1988.

[3] State Department of Education, 1992.

Recommendations

California also receives approximately $80 million in federal vocational education funds (of which, a large percentage is distributed to community colleges). This program, known as the Carl Perkins Vocational Education and Applied Technology Act, is intended to improve vocational programs for disadvantaged students. Many of the program features are intended to encourage the integration of academic and vocational curricula. The act's "technical preparation" program provides funds for the coordination of high school and community college vocational curricula (this has been known as "2+2" in California).

Our review of ROC/P funding and program incentives indicates that the specific mission of ROC/Ps enunciated in statute, the separate governance of many ROC/Ps, and the direct funding provided by the state has resulted in a program structure that no longer meets the needs of many high school programs and students. Specifically:

Separating responsibility for vocational education has led to uncoordinated vocational and academic programs. High school graduation standards, passed in 1983, emphasize academic competence to the virtual exclusion of vocational skills. As a result, high schools offer fewer vocational courses, relying instead on ROC/Ps. Rarely are ROC/P courses integrated with the high school's academic curriculum, however.

The combination of separate governance and ROC/Ps' stated mission reduces responsiveness of ROC/Ps to the needs of high school programs and students. As we discussed in Chapter 4, because of the focus on the needs of employers and because ROC/Ps serve both high school students and adults, not all ROC/Ps place a high priority on meeting the vocational needs of high school programs and students.

High school programs may require services that fall outside of the type ROC/Ps currently provide. Career training options currently being developed and implemented by high schools require a different type of vocational course than offered by ROC/Ps.

Dedicated funding to ROC/Ps gives little flexibility to schools implementing these innovative programs.

Research suggests that the types of jobs ROC/Ps often train students for may not result in better jobs than what those students would otherwise find. We were unable to locate any rigorous evaluation of the impact of ROC/P services on the employment and earnings of high school students. Although there are ROC/P courses that provide long-term benefits to students, however, all the research we reviewed pointed in the same direction: on average, ROC/P courses do not lead to increases in employment and income. This is because a substantial proportion of the jobs ROC/Ps train students to perform require little training.

ROC/P Funds Should Be Allocated to High Schools

We believe the Legislature can significantly improve the ability of high schools to create integrated programs leading to better jobs by creating a career training block grant. The block grant would contain funds currently appropriated to ROC/Ps for high school students and would be available to districts for only those activities which are essential to assisting students prepare for employment.

Placing control of ROC/P funds in districts would have a second beneficial effect: high schools could become the point of coordination for federal Carl Perkins and Job Training Partnership Act (JTPA) funds that are targeted at high school students, as well. Coordinating JTPA funds for youth with state and federal vocational education funds could enable disadvantaged students an opportunity to find paid employment in the occupational area for which he or she is studying in school.

Governance

Funds should be made available to districts. The role of each district would be to determine the distribution of funds to high schools; coordinate high school plans for the use of block grant funds; and coordinate career training programs with ROC/Ps, community

colleges, JTPA service delivery areas, other training agencies, and local businesses. While we generally hesitate to suggest mandating new district advisory groups, coordinating the needs of students, employers, and training agencies is one instance where we believe such an advisory group is necessary.

Use of Funds

With these funds, high schools would be required to contract with ROC/Ps, community colleges, or other agencies for training needed by students. This same contracting arrangement is used by service delivery areas under the federal JTPA. For example, a high school could contract with an ROC/P or community college to provide experts from outside the school as part of an integrated academic/vocational program provided in the high school, or with a community college to permit high school students to attend an existing vocational program that results in a vocational certificate.

A Transition Plan

As with special education, changing the role of high schools and ROC/Ps will take time to accomplish. A three- or four-year transition plan would help all parties prepare for new roles. During this time, three major changes must occur:

High schools would establish long-term plans for the use of block grant funds. This plan would identify the roles of ROC/Ps, community colleges, and other agencies. This planning effort would focus on the integration of academic and vocational curricula and the skill needs of students upon graduation.

ROC/Ps would adjust to acting as a contractor for school districts. As part of that adjustment, the Legislature would determine the allocation of ROC/P funds between adults and high school students. This would define the size of ROC/P adult populations. In addition, ROC/Ps would have to work with each district to establish a transition of funding from the ROC/P to the high school.

School districts would work with local service delivery areas on a way to coordinate the planning and delivery of JTPA services. Because federal law mandates governance of JTPA funds through service delivery areas, the Legislature could not simply appropriate these federal funds to districts. The Legislature can, however, require that this coordination take place, develop processes for mediating disputes that arise from coordination problems, and require the collection of data showing whether JTPA funds are being used to further high school course programs and student career goals.

An Alternative Program Design

Improving the responsiveness of ROC/P funds can be achieved in other ways besides creating a training block grant. Two major changes to the existing system would be needed. First, the Legislature would need to establish the percentage of funds that must be used by ROC/Ps to serve high school students. This change would encourage ROC/Ps to design programs that meet the needs of high school students in order to earn their full allocation of funds.

Second, the mission of ROC/Ps would need to be altered to reflect a balance between the needs of employers and the long-term needs of students. This changing mission would require ROC/Ps to reduce the number of courses preparing students for low-skill jobs. In addition, ROC/Ps would have to work closely with high schools to coordinate academic and vocational courses.

Vocational Services for Adults

By addressing the role of ROC/Ps in serving high school students, our recommendation leaves open the role of ROC/Ps in serving adults. The issues of fragmentation of services and lack of coordination also plague the state's system of serving adults. ROC/Ps, community colleges, JTPA programs, and adult education programs all provide remedial education and job training services to adults in an uncoordinated manner. Because community colleges play a major role in the delivery of vocational and remedial education, a discussion of these issues is outside of the scope of this report. It is an

important issue, however, that should be addressed at the same time that K-12 vocational education issues are addressed.

Reviewing the State Strategy for Education Improvement

We recommend the Legislature review the role of the state with an eye toward modifying legislative and administrative procedures to conform with our recommendations to improve state categorical programs.

In the previous recommendations, we suggested ways the Legislature could improve categorical programs. Our recommendations were based on the principle that, to the extent possible, the state should leave program design to LEAs. In this section, we discuss changes in the way the SDE and the Legislature could operate, changes that would help the state improve the quality of education in California.

Changing the Role of the SDE

As the role of the state shifts from program design and compliance to measuring performance, so should the role of the SDE change. We believe that the primary role of the SDE should be to assist school districts in improving local programs. Some of the changes we believe are needed include:

Further Reduce the State's Compliance Focus of District Audits. As we discussed in Chapter 4, the state's CCR process reenforces program and fiscal rules rather than practices that result in positive outcomes. By increasing local responsibility over program details, the SDE could significantly reduce the CCR's compliance focus and further emphasize service delivery and performance.

Reduce the Department's Role in Administering Categorical Programs. The SDE devotes a significant share of its existing staff to fiscal and program administration of categorical programs. By reducing the number and complexity of categorical programs, the department could substantially reduce the number of staff involved in administering existing programs.

Increase Technical Assistance to LEAs That Show Poor Results. By adopting performance measures as the primary accountability mechanism, the Legislature would create an important new responsibility for the SDE—providing technical assistance to schools and districts that do not administer effective programs. Redirecting staff who currently administer categorical programs would substantially increase the department's existing capacity to assist LEAs. Linking technical assistance to the SDE's revamped compliance monitoring would help the department target LEAs in need of assistance.

Strengthen the SDE's Data Collection and Program Evaluation Capacity. Currently, the department's data collection efforts and program evaluation capacity are uncoordinated and inconsistent in quality and usefulness. Centralizing the SDE's data collection activities could help begin the process of defining and refining outcome and performance measures and weeding out unnecessary or irrelevant data that are now collected. Merging the data collection and program evaluation units would stress the interconnectedness of these two activities and help focus data collection on assessing program effectiveness.

Changing the Focus of the Legislature

Just as the role of the state department needs to change, the Legislature's focus on school improvement could be tailored to reenforce a strategy of local program flexibility. As we described in Chapter 3, the legislative approach to school improvement has been to create new categorical programs to address one narrow part of the education process. We suggest that, instead, the Legislature lead the school improvement effort by focusing on school performance rather

important issue, however, that should be addressed at the same time that K-12 vocational education issues are addressed.

Reviewing the State Strategy for Education Improvement

We recommend the Legislature review the role of the state with an eye toward modifying legislative and administrative procedures to conform with our recommendations to improve state categorical programs.

In the previous recommendations, we suggested ways the Legislature could improve categorical programs. Our recommendations were based on the principle that, to the extent possible, the state should leave program design to LEAs. In this section, we discuss changes in the way the SDE and the Legislature could operate, changes that would help the state improve the quality of education in California.

Changing the Role of the SDE

As the role of the state shifts from program design and compliance to measuring performance, so should the role of the SDE change. We believe that the primary role of the SDE should be to assist school districts in improving local programs. Some of the changes we believe are needed include:

Further Reduce the State's Compliance Focus of District Audits. As we discussed in Chapter 4, the state's CCR process reenforces program and fiscal rules rather than practices that result in positive outcomes. By increasing local responsibility over program details, the SDE could significantly reduce the CCR's compliance focus and further emphasize service delivery and performance.

Recommendations

Reduce the Department's Role in Administering Categorical Programs. The SDE devotes a significant share of its existing staff to fiscal and program administration of categorical programs. By reducing the number and complexity of categorical programs, the department could substantially reduce the number of staff involved in administering existing programs.

Increase Technical Assistance to LEAs That Show Poor Results. By adopting performance measures as the primary accountability mechanism, the Legislature would create an important new responsibility for the SDE—providing technical assistance to schools and districts that do not administer effective programs. Redirecting staff who currently administer categorical programs would substantially increase the department's existing capacity to assist LEAs. Linking technical assistance to the SDE's revamped compliance monitoring would help the department target LEAs in need of assistance.

Strengthen the SDE's Data Collection and Program Evaluation Capacity. Currently, the department's data collection efforts and program evaluation capacity are uncoordinated and inconsistent in quality and usefulness. Centralizing the SDE's data collection activities could help begin the process of defining and refining outcome and performance measures and weeding out unnecessary or irrelevant data that are now collected. Merging the data collection and program evaluation units would stress the interconnectedness of these two activities and help focus data collection on assessing program effectiveness.

Changing the Focus of the Legislature

Just as the role of the state department needs to change, the Legislature's focus on school improvement could be tailored to reenforce a strategy of local program flexibility. As we described in Chapter 3, the legislative approach to school improvement has been to create new categorical programs to address one narrow part of the education process. We suggest that, instead, the Legislature lead the school improvement effort by focusing on school performance rather

than specific state categorical programs. Such leadership can occur in the following ways:

Focus on Defining Program Goals and Outcome Measures. Setting California's K-12 education system on a new course guided by program goals and outcome measures will take a long-term effort on the part of the Legislature. Clearly, the initial task of setting goals and defining outcome measures will be difficult since no one has experience in doing this. Once that is accomplished, however, these measures will need to be constantly reviewed and revised. As educators and policymakers gain experience in the effects of these goals and outcomes, changes will be needed to eliminate problems, such as conflicting goals or outcomes that create negative incentives.

Fund Experimental Models. Schools will need additional funds to try different instructional models. These funds should be temporary in nature—perhaps for three to five years in total. At the end of that time, pilot schools should assume the cost of operating the models, or additional funds should be made available to all schools. Rigorous evaluation of these models should be a prerequisite for establishing new pilot programs. Currently, there are a number of these demonstration programs operating, including the School Restructuring Grants Program and the Healthy Start Program.

Increase Oversight of Program Areas. Beyond a report, the Legislature receives very little systematic data about what happens to programs after they are enacted. Improved oversight of programs would increase the flow of information to legislative committees, which would be better positioned to determine whether additional changes to the state structure were warranted.

CONCLUSION

In this chapter, we presented our recommendations for consolidating and reforming categorical education programs. The consolidation recommendations focus on policy areas where outcome measures are sufficiently established that the data would be available to hold LEAs accountable for the use of state funds. We further recommend that the Legislature take steps to clarify existing program goals and begin the process of evaluating existing program models. This process will help the Legislature improve local programs and also provide the information needed for further program consolidation.

Bibliography

Atkinson, Richard C., and Gregg B. Jackson (eds.). *Research and Education Reform: Roles of the Office of Educational Research and Improvement*, National Research Council, National Academy Press, Washington, D.C., 1992.

Berman, Paul. *From Compliance to Learning: Implementing Legally Induced Reform*, Institute for Research on Educational Finance and Governance, Stanford University, Stanford, California, December 1981.

Berman, Weiler Associates. *Meeting the Challenge of Language Diversity: An Evaluation of Programs for Pupils with Limited Proficiency in English*, Berkeley, California, November 1991.

Berman, Weiler Associates. *Improving School Improvement: A Policy Evaluation of the California School Improvement Program*, Berkeley, California, January 1984.

Bilken, Douglas, et al. *Purposeful Integration...Inherently Equal*, The Center on Human Policy, Syracuse University, Syracuse, New York, 1987.

Bloom, Howard, et al. *The National JTPA Study: Title II-A Impacts on Earnings and Employment at 18 Months*, Abt Associates, Bethesda, Maryland, May 1992.

Calfee, Robert. *Indicators of Literacy*, Center for Policy Research in Education, The Rand Institute, Santa Monica, California, August 1988.

California School Boards Association. *Achieving the National Education Goals in California*, West Sacramento, California, December 1991.

California Department of Education. *Catalogue of Assistance*, Sacramento, California, September 1992.

California Department of Education. *Coordinated Compliance Review Training Guide, 1992-93*, Sacramento, California, 1992.

California Department of Education. *Every Student Succeeds: A California Initiative to Ensure Success for Students at Risk*, Sacramento, California, 1990.

California Department of Education. *Fiscal Considerations in the Streamlining of Categorical Programs*, Sacramento, California, undated.

California Department of Education. *Improving the Effectiveness of Categorical Education Programs: A Strategic Plan*, Sacramento, California, 1988.

California Department of Education. *Participation of School Districts in the School-Based Program Coordination Act*, Sacramento, California, 1987.

California Department of Education. *Program Advisory: Supplemental Grants*, Sacramento, California, October 1989.

California Department of Education. *Program Advisory: The School-Based Program Coordination Act*, Sacramento, California, March 1988.

Bibliography

California Department of Education. *Special Education Fiscal Task Force Report*, Sacramento, California, July 1988.

California Department of Education. *Sunset Review Report on Special Education Programs*, Sacramento, California, April 1992.

Card, David, and Alan Krueger. *Does School Quality Matter?: Returns to Education and the Characteristics of Public Schools in the United States*, National Bureau of Economic Research, Inc., Cambridge, Massachusetts, May 1990.

Catterall, James S., and Emily Brizendine. *Proposition 13: Effects on High School Curricula*, Institute for Research on Educational Finance and Governance, Stanford University, Stanford, California, May 1984.

Consortium for Policy Research in Education. *Ten Lessons About Regulation and Schooling*, Eagleton Institute of Politics, Rutgers University, New Jersey, 1992.

Crawford, James. *Bilingual Education: History, Politics, Theory, and Practice*, Crane Publishing Company, Trenton, New Jersey, 1989.

Dixon, Donald A., Carol Jones, and Sally Brian. *Implementing Innovation: Effectiveness of SB 65 Motivation and Maintenance Programs in Improving School Performance and Holding Power*, SRA Associates, Sebastopol, California, December 1991.

Education Commission of the States. *Education Finance in the 1990s*, prepared for the U.S. Office of Educational Research and Improvement, November 1990.

Elmore, Richard F. *Paradox of Innovation in Education: Cycles of Reform and the Resilience of Teaching*, Graduate School of Education, Harvard University, July 1991, prepared for the Conference on Fundamental Questions of Innovation sponsored by the Governors Center at Duke University, May 3-5, 1991.

Elmore, Richard F., and Milbrey Wallin McLaughlin. *Steady Work: Policy, Practice, and the Reform of American Education*, The Rand Corporation, Santa Monica, California, 1988.

Firestone, William A., Susan H. Fuhrman, and Michael W. Kirst. *The Progress of Reform: An Appraisal of State Education Initiatives*, Center for Policy Research in Education, Rutgers University, New Jersey, 1989.

Garcia, Eugene E., et al. *Effective Schools for Linguistic Minority Students*, University of California Linguistic Minority Research Project, Santa Barbara, California, 1989.

Gartner, Alan, and Dorothy Kerzner Lipsky. "Beyond Special Education: Toward a Quality System for All Students," *Harvard Educational Review*, Volume 57, Number 4, November 1987.

Guthrie, James W. "Investing Education Dollars: Do We Need a 'Dow Jones Index' for America's Schools?" in *Rethinking School Finance: An Agenda for the 1990s*, Allan R. Odden (ed.), Jossey-Bass, San Francisco, California, 1992.

Hakuta, Kenji, and Laurie J. Gould. "Synthesis of Research on Bilingual Education," *Educational Leadership*, Volume 44, Number 6, March 1987.

BEST COPY AVAILABLE

Bibliography

Jenkins, Hoseph R., Constance G. Pious, and David L. Peterson. "Categorical Programs for Remedial and Handicapped Students: Issues of Validity," *Exceptional Children*, Volume 55, Number 2, 1988.

Kennedy, Mary M., Beatrice F. Birman, and Randy E. Demaline. *The Effectiveness of Chapter 1 Services: Second Interim Report from the National Assessment of Chapter 1*, Office of Educational Research and Improvement, U.S. Department of Education, July 1986.

Krashen, Stephen, and Douglas Biber. *On Course: Bilingual Education's Success in California*, California Association for Bilingual Education, Sacramento, California, 1988.

Legislative Analyst's Office. *Reform in Intermediate and Secondary Education: How Should California Proceed?"*, Sacramento, California, July 1976.

Legislative Analyst's Office. *Adult Education: A Sunset Review*, Sacramento, California, 1988.

Legislative Analyst's Office. *Bilingual Education: A Sunset Review*, Sacramento, California, 1986.

Legislative Analyst's Office. *Demonstration Programs in Reading and Mathematics: A Review*, Sacramento, California, November 1984.

Legislative Analyst's Office. *Economic Impact Aid: A Sunset Review*, Sacramento, California, 1987.

Legislative Analyst's Office. *Educational Technology Local Assistance Program: A Sunset Review*, Sacramento, California, August 1988.

Legislative Analyst's Office. *Instructional Materials: A Sunset Review*, Sacramento, California, 1985.

Legislative Analyst's Office. *Miller-Unruh Reading Program: A Sunset Review*, Sacramento, California, 1986.

Legislative Analyst's Office. *School Improvement Program: A Sunset Review*, Sacramento, California, 1987.

Legislative Analyst's Office. *School Restructuring in California*, Sacramento, California, February 1991.

Legislative Analyst's Office. *Special Education: A Sunset Review*, Sacramento, California, 1986.

McCollum, Heather. *School Reform for Youth at Risk: Analysis of Six Change Models*, Policy Studies Associates, Inc., Washington D.C., March 1992.

Mitchell, Douglas, and Jeffrey Hecht. *Quality and Effectiveness of California's Regional Occupational Centers and Programs: A Research Study*, California Education Research Cooperative, University of California, Riverside, June 1989.

Mockler, John. *Published Testimony Presented to the Governor's Commission on Educational Quality*, Murdock, Mockler, and Associates, Sacramento, California, December 1987.

Mockler, John, and Gerald Hayward. "School Finance in California: Pre-Serrano to the Present," *Journal of Education Finance*, Volume 3, Number 4, spring 1978.

BEST COPY AVAILABLE

Bibliography

National Center for Research on Teacher Learning. *Findings on Learning to Teach*, Michigan University, East Lansing, Michigan, 1992.

Newman, Fred M., and William H. Clune. *When School Restructuring Meets Systemic Curriculum Reform*, Center on Organization and Restructuring of Schools, University of Wisconsin, Madison, Wisconsin, summer 1992.

Noddings, Nel. *Excellence as a Guide to Educational Conversation*, Stanford University, Stanford, California, 1992.

Odden, Allan. *How Fiscal Accountability and Program Quality Can Be Insured for Chapter 1*, Policy Analysis for California Education, Berkeley, California, October 1986.

Odden, Allan. *Education Reform and Services for Poor Students: Can the Two Policies Be Compatible?*, Policy Analysis for California Education, Berkeley, California, March 1987.

Odden, Allan R., and David D. Marsh. *How State Education Reform Can Improve Secondary Schools*, Policy Analysis for California Education, Berkeley, California, December 1987.

Ornstein, Allan C. "The State Role in School Reform," *The Education Digest*, Volume 57, Number 7, March 1992.

Pacheco, David R. *Seeking Flexibility in School Management: Waivers and School-Based Program Coordination Under AB 777*, Policy Analysis for California Education, Berkeley, California, November 1985.

Parrish, Thomas B. "The Funding and Placement of Special Education Students in Public and Private Schools in California," doctoral dissertation, Stanford University, Stanford, California, May 1987.

Peterson, Terry. *Creating Responsible and Responsive Accountability Systems: Report of the OERI State Accountability Study Group*, U.S. Department of Education, Washington D.C., September 1988.

Picus, Laurence O. *Cadillacs or Chevrolets?: The Effects of State Control on School Finance in California*, Center for Research in Education Finance, University of Southern California, Los Angeles, California, 1991.

Picus, Laurence O. "Using Incentives to Promote School Improvement," *Rethinking School Finance*, Allan R. Odden (ed.), Jossey-Bass Publishers, San Francisco, California, 1992.

Richman, Howard B. "Re-Examining Head Start", *Education Week*, October 21, 1992.

Senate Committee on Education. *Hearing on a Plan to Improve California's Lowest Performing Schools: Report of the Task Force on Schools with Underachieving Students*, California Legislature, Sacramento, California, June 1988.

Shields, Patrick M., E. Deborah Hay, Thomas Parrish, and Christine Padilla. *Alternative Programs and Strategies for Serving Students With Learning Disabilities and Other Learning Problems*, SRI International, Menlo Park, California, March 1989.

Smith, Marshall S. *Selecting Students and Services for Chapter 1*, Wisconsin Center for Education Research, University of Wisconsin, Madison, Wisconsin, June 1986.

Bibliography

Smith, Marshall S. *Selecting Students and Services for Chapter 1*, Center for Educational Research at Stanford, Stanford, California, June 1986.

Timar, Thomas. *Federal Educational Policy and Practice: Building Organizational Capacity Through Chapter 1*, prepared for the Advisory Committee on Testing in Chapter 1, U.S. Department of Education, Washington, D.C., September 1992.

Timar, Thomas B., and Dale Shimasaki. *Categorical Wars: Zero-Sum Politics and School Finance*, University of California, Riverside, California, July 1991.